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CHATTANOOGA NEIGHBORHOOD ENTERPRISE

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND URBAN AFFAIRS

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

TO EXAMINE THE NATIONAL HOUSING CRISIS FROM A VERY UNIQUE LOCAL PERSPECTIVE AND MOST IMPORTANTLY TO STUDY PROGRAMS WHERE THERE IS A SIGNIFICANT LOCAL GOVERNMENT AND PRIVATE COMMITMENT

JUNE 18, 1988—CHATTANOOGA, TN

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CONTENTS

SATURDAY, JUNE 18, 1988

	Page
Opening statement of Senator Sasser	1
Prepared statement	7

WITNESSES

James W. Rouse, chairman of the National Housing Task Force, chairman of the Enterprise Foundation, Columbia, MD	10
L. Matthew Powell, president, Chattanooga Neighborhood Enterprise	12
Gene Roberts, mayor of Chattanooga	17
Prepared statement	19
Robert P. Corker, Jr., chairman of Chattanooga Neighborhood Enterprise	20
Prepared statement	23
Lillie Nichols, prospective buyer	30
Prepared statement	31
Tom and Iva Faye Gann, CNE homeowners	32
Prepared statement	34
Delores Kelly, CNE homeowner	35
Prepared statement	37
Eric Jenkins, Jenkins Enterprises, contractor	38
Prepared statement	40
Ruth Holmberg, president, Chattanooga Area Chamber of Commerce	43
Rayburn Traughber, commissioner of the Tennessee Department of Employment Security	44
Prepared statement	48
Deaderick C. Montague, president of the Lyndhurst Foundation, vice chairman of Chattanooga Neighborhood Enterprise	64

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Statements of:	
Velma Church	68
Richard McKinley and Lee Granville	69

CHATTANOOGA NEIGHBORHOOD ENTERPRISE

SATURDAY, JUNE 18, 1988

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Chattanooga, TN.

The committee met at 2 p.m., Senator Sasser presiding.

Present: Senator Sasser, Gordon Stoddard, L. Matthew Powell, James W. Rouse, Gene Roberts, Robert P. Corker, Jr., Ms. Delores Kelly, Tom and Iva Faye Gann, David Fromm, Eric Jenkins, Ruth S. Holmberg, Rayburn Traughber, and Deaderick C. Montague.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Well, I'm pleased to convene this field hearing today here in Chattanooga of the Senate Subcommittee on Housing and Urban Affairs. I serve on the Senate Banking Committee, as well as its Subcommittee on Housing and Urban Affairs. The subcommittee comes to Chattanooga today to examine the national housing crisis from a very unique local perspective.

The city of Chattanooga, unlike any city nationwide, has embarked on an aggressive and innovative program to make all housing in this city fit, habitable and affordable. It will take 10 years to accomplish this goal.

It's important to note at the outset that there is no other city in all of these United States that has set for itself such an ambitious goal. Chattanooga, TN can be the model for the Nation.

The Senate Subcommittee on Housing has also set for itself a goal; a goal to meet the ever-escalating housing crisis. We have begun the process of completely redrafting the Nation's housing laws.

We are looking for new solutions to a problem that's reaching crisis proportions. We are looking for innovative ideas. And most importantly, we are looking at programs where there is significant local government and private commitment. For these reasons the subcommittee was drawn to Chattanooga.

Now, I'll say to my friends here that the subcommittee has already had the benefit of receiving in Washington some 2 months ago the report of the National Housing Task Force. If some of you have not read this report, I urge you to do so. If you wish to get one, simply contact my office in Washington or Chattanooga, and we will see that you get this report entitled "A Decent Place to Live." The recommendations of this very substantive and comprehensive document have been an enormous help to us in the Senate as we try to deal with the problem.

Indeed, "A Decent Place to Live" was critical to me in the development of home ownership legislation that I introduced in the Senate just a few weeks ago. This bill has already garnered a number of very important cosponsors in the House of Representatives, including the chairman of the Banking Committee.

The most far reaching recommendation of the National Housing Task Force in their report is for a housing opportunity program acronym, HOP, as it's becoming known all across the country.

HOP would be a Federal program designed to foster and stimulate State and local initiatives to develop, to renovate, and preserve low-income housing.

The important thing here is that local recipients of HOP funds would be required to raise some amounts of new money for housing to match the Federal assistance they receive.

I can tell you that the HOP idea of the National Housing Task Force, a Federal/local, public/private partnership is receiving very much attention in Washington and very, very serious consideration from those who are interested in housing.

I think it's receiving such serious study simply because it's a good idea. It's an idea whose time has come. It's an idea that's built on experience and I think wisdom. It makes sense in this period when we at the Federal level have got to deal with fairly severe budgetary restraints.

And I think HOP is a good idea perhaps as much as any other reason because it can be tailored to meet the specific needs of cities. It will provide the flexibility and the sensitivity that we have not been able to incorporate in Federal programs in the past as much we wished to. The program will have a greater chance of success because there will be a significant local stake in the success of the program.

So, I'm pleased today and indeed honored that we are going to have the benefit of hearing from a man who pioneered the whole HOP idea, the chairman of the National Housing Task Force, Mr. Jim Rouse of Baltimore.

I'm pleased that Jim Rouse has come to Chattanooga, a city that he considers the model for HOP and the model for the Nation—a model to meet the deepening national housing crisis. And I am pleased that he could bring his wife and colleague in dealing with the problem of housing in this country, Mrs. Patty Rouse.

Before we get to Mr. Rouse's testimony, though, we're going to have a side, I won't say a side show, a slide show. And so, why don't we dim the lights and look at that.

[Slide presentation follows.]

Chattanooga, like many other cities across the country, realizes that its inner city needs help. Older housing has deteriorated. Close-in city neighborhoods, affected by suburban growth, migrating population, and industrial changes are left with concentrations of low-income families—many unemployed, unskilled, poorly educated, or the disadvantaged. Older housing is forgotten and neglected. Housing, once sturdy, is being condemned and torn down, leaving holes which when added to highway growth and other development, create neighborhoods with questionable futures.

The Enterprise Foundation was asked to help Chattanooga study the situation. And in September 1986, it presented its recommenda-

tions and a report to the mayor of Chattanooga, Chattanooga Venture, and the community. The Chattanooga 10-year program to make all housing fit, and livable identified the scope of the problem. 13,720 housing units in need of rehabilitation or to be built in order to meet the needs of low-income people in Chattanooga.

The study group recommended the formation of a new, nonprofit housing organization, and Chattanooga Neighborhood Enterprise [CNE] was incorporated in December 1986 and became operational in July 1987. CNE became the city's central clearinghouse for providing assistance to low-income homeowners and to landlords. Meanwhile, the Chattanooga Housing Authority continues to manage public-owned housing and Federal certificate and voucher programs while the Better Housing Commission oversees the enforcement of housing codes.

The goal for CNE and the city is to give all Chattanoogans the opportunity to live in decent, fit, and affordable housing within a decade for our city to become the first city in the United States to eliminate its substandard housing. This means at least 14,000 housing units must be rehabilitated in the next 10 years.

CNE's target area encompasses the part of Chattanooga between the Tennessee River and Missionary Ridge where the housing stock is the oldest, the property values are lower, and homeownership less. This is old city. Also included will be north Chattanooga and Hill city across the river and the Shepherd community. As the priority area needs are met, Chattanooga Neighborhood Enterprise will eventually shift to the entire city for the full accomplishment of its goal.

According to census figures, the city of Chattanooga had 169,700 people in 1980. The median family income was $16,706. 13.4 percent of its families were below the poverty line. 12.7 percent were over 65 years of age. 60.5 percent of the population 25 years or older were high school graduates. 41.5 percent were workers.

By contrast, the old city area had 74,600 people. Exact income figures are unavailable, but old city income was estimated at about half the figure for the city as a whole. Here, 26 percent of the families were below the poverty line and 15.5 percent were elderly. Only 31.5 percent of the population 25 years or older were high school graduates, and 33.2 percent were workers. Clearly, the target area has greater potential needs, not just for housing, but also for education, job opportunities, training, and social services. CNE will concentrate on the housing needs, but will reach out to other service providers, making referrals and coordinating programs where possible.

It should be emphasized that this is not a grant or giveaway program. Every participant makes a minimum monthly loan payment of $25 or higher if he is able. This money is put into a maintenance pool that provides assistance for future repair needs.

CNE provides a variety of financial assistance programs aimed at homeowners and landlords. Low-income families can receive rehabilitation financing assistance with below-market loans from zero percent up depending on income. Property owners can take advantage of 50/50 matching funds for rehab of low-income rental housing units. There are also funds available for emergency repairs.

Public and private funding support helps CNE to offer loans, purchase and rehab properties, construct new homes, and improve neighborhoods. CNE also sponsors an inner city home ownership program which enables families with incomes below $25,000 to purchase homes for the first time at 9 percent.

There are other programs in the planning stage, such as an Urban Homesteading program which will allow transfer of foreclosed properties to low-income first-time homeowners. CNE is now developing a job training program with the Private Industry Council for disadvantaged unemployed young people in Chattanooga to learn to become rehab construction workers and craftsmen.

CNE will also start a materials distribution warehouse which will make donated or surplus material available to low-income homeowners or their contractors at minimal cost.

CNE is working with Chattanooga banks to form a community bank. Administered jointly by CNE and participating banks, the community bank would provide loan programs for low-to-moderate-income residents who can't qualify to borrow at conventional financing rates.

The community bank would be an approved lending institution for deposit and disbursement of Federal Housing Program funds and would closely coordinate its below-market-rate financing activities with conventional financial institutions.

The goal for CNE in 1988, with anticipated resources, is to rehab 500 single family housing units. This represents an annual increase in productivity of 500 percent over what was done in the city previously. The 10-year goal for Chattanooga is an ambitious one. And reaching this goal will depend heavily on volunteer services from local churches, civic groups, and individuals who will participate in paint up, clean up, or fix up campaigns, or provide assistance and support not included in other programs.

With the need to upgrade as great as it is and with substandard units often existing in close proximity, CNE in 1988 will begin a new rehab group approach to bring together neighbors to start rehab in groups and discuss common problems. Repairing houses in these groups should have a greater impact on needed block improvements than working on scattered individual properties.

In addition to focusing rehab programs in and around rehab groups, CNE will provide training in homeownership, home management, and home repairs. The needs of the rehab groups will be addressed at CNE through an advisory group composed of neighborhood representatives and service providers from many agencies, organizations, volunteer or public interest groups.

Where does Chattanooga Neighborhood Enterprise get the money to carry out its programs? The Chattanooga Committee, formed during the initial study period, raised $2.3 million for the support from the Lyndhurst Foundation, Maclellan Foundation, Provident, Bencor Corp., and the Diamond Foundation.

Since its inception, CNE has also received Federal block grant and housing and urban development funds, job partnership act moneys, and State funds from the Tennessee Housing Development Agency, all totaling more than $6 million. The total cost of CNE's program for 10 years is estimated at over $200 million.

To leverage increased public and private support needed to meet its goal and to effectively meet the needs of its low-income recipients, CNE needs a dedicated income stream, a local appropriation as a resource to fund housing needs for the lowest income residents—$5 to $6 million a year is necessary to meet the need. The city's commitment of public revenues is essential and would verify Chattanooga's support for its housing objectives, truly enabling Chattanooga to become the first city in the United States to eliminate substandard housing.

CNE will be helping thousands of individuals and families through its programs. Homes will be safer because code violations will be eliminated, reducing the risks from fire, water, and other damage. Ongoing operational costs also are reduced by more efficient systems, insulation, and other improvements. Homes and neighborhoods will be more attractive.

CNE also seeks to improve skills and knowledge so that homeowners will be better prepared to take care of their homes. Training provided through CNE will also result in an increase in the number of home rehab contractors and artisans in the city.

CNE will be helping Chattanooga's economy. The 500 rehab projects this year means $5 million of construction. The total cost over 10 years is expected to be over $200 million. The $5 million of construction work this year, assume 55 percent is labor and a worker's wage of $20,000 per year, translates into 140 full-time construction jobs this year. Approximately $5 million will be spent on materials which also means more jobs and production. To this should be added the money spent on self-help projects in which homeowners themselves provide the labor to upgrade their properties.

Already Chattanooga Neighborhood Enterprise is gaining attention nationwide as one of the most unique and significant programs of its kind in the United States The groundwork has been laid for a long, complex task which will be tremendously rewarding to all of Chattanooga. Housing is a community concern requiring community actions. Housing organizations like CNE don't succeed by acting in isolation, but by involving itself with other organizations and individuals. CNE is working hard to carry out its mandate. The support of all persons in our community is critical to Chattanooga Neighborhood's success. We invite all of you to be involved.

Well, thank you very much for that very good slide presentation. I don't know how the court reporter will get that in her record over here, but somehow I'm sure she will manage.

Our leadoff witness this afternoon is Mr. Jim Rouse. And Mr. Rouse will be accompanied by Mr. Matt Powell, who is running the CNE program here in Chattanooga. So, gentlemen, if you would be kind enough to take your positions over there.

We're pleased to have Mr. Rouse with us today to offer his comments on a program that is indeed attracting national attention—a potential national model which will be followed. Mr. Rouse has a national reputation in the field of housing and particularly an interest in developing housing for low-income persons.

So, we welcome you here, Mr. Rouse, and we turn this over to you for whatever you wish to say here today. I understand that you

don't have a prepared statement, but you're going to speak extemporaneously, so we look forward to hearing from you.

[The complete prepared statement of Senator Sasser follows:]

STATEMENT OF SENATOR JIM SASSER, SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS, CHATTANOOGA, TENNESSEE, JUNE 18, 1988

I AM PLEASED TO CONVENE THIS HEARING OF THE U.S. SENATE SUBCOMITTEE ON HOUSING AND URBAN AFFAIRS. WE ARE IN CHATTANOOGA TODAY TO EXAMINE THE NATIONAL HOUSING CRISIS FROM A VERY UNIQUE LOCAL PERSPECTIVE.

CHATTANOOGA, UNLIKE ANY OTHER CITY NATIONWIDE, HAS EMBARKED ON AN AGGRESSIVE AND INNOVATIVE PROGRAM TO MAKE ALL THE HOUSING IN THE CITY FIT, HABITABLE AND AFFORDABLE. IT WILL TAKE 10 YEARS TO ACCOMPLISH THIS.

IT IS IMPORTANT TO NOTE, AT THE OUTSET, THAT NO OTHER CITY IN THE UNITED STATES HAS EVER SET SUCH AN AMBITIOUS GOAL. INDEED, CHATTANOOGA CAN BE THE MODEL FOR THE NATION.

LADIES AND GENTLEMEN THAT IS PRECISELY WHY WE ARE HERE TODAY. THE SENATE SUBCOMMITTEE ON HOUSING HAS ALSO SET A GOAL. TO MEET THE EVER ESCALATING HOUSING CRISIS, WE HAVE BEGUN THE PROJECT OF COMPLETELY REDRAFTING THE NATION'S HOUSING LAWS.

WE ARE LOOKING FOR NEW SOLUTIONS. WE ARE LOOKING FOR INNOVATIVE IDEAS. AND MOST IMPORTANTLY, WE ARE LOOKING AT PROGRAMS WHERE THERE IS A SIGNIFICANT LOCAL GOVERNMENTAL AND PRIVATE COMMITMENT. FOR ALL THESE REASONS WE ARE DRAWN TO CHATTANOOGA.

MY FRIENDS, THE SUBCOMMITTEE HAS ALREADY HAD THE BENEFIT OF RECEIVING IN WASHINGTON SOME TWO MONTHS AGO THE REPORT OF THE NATIONAL HOUSING TASK FORCE. THE RECOMMENDATIONS OF THIS EXTREMELY SUBSTANTIVE AND COMPREHENSIVE DOCUMENT HAVE BEEN OF ENORMOUS HELP TO US IN OUR WORK SO FAR.

INDEED, THE REPORT WAS CRITICAL TO ME IN MY DEVELOPMENT OF HOMEOWNERSHIP LEGISLATION THAT I INTRODUCED JUST A FEW WEEKS AGO.

BUT THE MOST FAR REACHING RECOMMENDATION OF THE REPORT IS FOR A HOUSING OPPORTUNITY PROGRAM OR HOP, AS IT'S ALREADY BEING CALLED.

HOP WOULD BE A FEDERAL PROGRAM DESIGNED TO FOSTER AND STIMULATE STATE AND LOCAL INITIATIVES TO DEVELOP, RENOVATE AND CONSERVE LOW INCOME HOUSING.

THE IMPORTANT THING HERE IS THAT LOCAL RECIPIENTS OF HOP FUNDS WOULD BE REQUIRED TO RAISE SUBSTANTIAL AMOUNTS OF NEW MONEY FOR HOUSING TO MATCH THE FEDERAL ASSISTANCE THEY RECEIVE.

NOW I CAN TELL YOU THAT THE HOP IDEA OF THE NATIONAL HOUSING TASK FORCE -- A FEDERAL/LOCAL, PUBLIC/PRIVATE PARTNERSHIP -- IS RECEIVING SERIOUS CONSIDERATION IN WASHINGTON.

I THINK IT'S RECEIVING SUCH SERIOUS STUDY BECAUSE IT IS A GOOD IDEA. I THINK IT MAKES SENSE IN THIS PERIOD OF SEVERE FEDERAL BUDGETARY CONTRAINTS.

AND IT'S A GOOD IDEA BECAUSE HOPS CAN BE TAILORED TO MEET THE SPECIAL NEEDS OF SPECIFIC CITIES. THEY'LL PROVIDE FLEXIBILITY AND SENSITIVITY THAT WE HAVEN'T OFTEN SEEN WITH FEDERAL PROGRAMS. AND THEY'LL BE A SIGNIFICANT LOCAL STAKE.

MY FRIENDS, I AM VERY PLEASED, INDEED HONORED, THAT WE WILL HAVE THE BENEFIT TODAY OF HEARING FROM THE MAN WHO HAS PIONEERED THE HOP IDEA, THE CHAIRMAN OF THE NATIONAL HOUSING TASK FORCE, JIM ROUSE.

I AM PARTICULARLY PLEASED THAT JIM ROUSE HAS COME TO CHATTANOOGA -- THE CITY THAT HE CONSIDERS TO BE THE MODEL FOR HOP AND THE MODEL FOR THE NATION -- A MODEL TO MEET THE DEEPENING NATIONAL HOUSING CRISIS.

BEFORE WE GO TO JIM ROUSE, HOWEVER, I WOULD LIKE TO TAKE A MINUTE TO TALK ABOUT THIS HOUSING CRISIS, WHICH HAS UNFORTUNATELY BECOME A BROAD BASED PHENOMINA.

AT ONE END, WE HAVE THE EVER INCREASING HOMELESS -- WE HAVE WORKING HOMELESS. INDEED, 20 PERCENT OF THE HOMELESS IN AMERICA TODAY HAVE JOBS. MOST DISTURBINGLY, 20 PERCENT OF THE HOMELESS ARE FAMILIES.

AT THE OTHER END, WE HAVE YOUNG FAMILIES TRYING TO ACHIEVE HOMEOWNERSHIP. SINCE 1980, FOR THE FIRST TIME IN THE NATION'S

HISTORY, THE HOMEOWNERSHIP RATE HAS DECLINED. AND THE DECLINE HAS BEEN MOST SIGNIFICANT AMONG THOSE 25 TO 34 YEARS OLD -- A SHOCKING 20% DECLINE.

WHAT DOES IT MEAN WHEN THIS MANY CAN'T ACHIEVE HOMEOWNERSHIP? AMONG OTHER THINGS, MORE PEOPLE ARE RENTING THAT SHOULD OWN. THE DEMAND FOR RENTAL HOUSING IS SCORCHINGLY HIGH; THE SUPPLY IS FAR SHORT.

WE HAVE A SITUATION WHERE MILLIONS OF FAMILIES ARE PAYING WELL OVER 50% OF THEIR INCOME FOR RENTAL HOUSING. AND THOSE THAT CAN'T AFFORD THE RENT ARE FAST BECOMING THE HOMELESS.

IT'S ALL TOO EASY TO SEE WHERE THE CRISIS BEGINS AND ENDS. WE NEED TO ATTACK IT ON ALL FRONTS.

PROGRAMS LIKE CHATTANOOGA'S COULD BE INSTRUMENTAL IN ASSISTING PEOPLE ACROSS THE SPECTRUM OF THE HOUSING CRISIS. SUCH PROGRAMS IF IMPLEMENTED NATIONWIDE COULD INCREASE THE SUPPLY OF LOW INCOME RENTAL HOUSING. THEY COULD GREATLY EXPAND HOMEOWNERSHIP OPPORTUNITIES AND COULD POTENTIALLY CONFRONT THE HOMELESS PROBLEM DIRECTLY -- AMERICA SHOULD NOT HAVE FAMILIES LIVING ON THE STREETS.

MY FRIENDS, I AM PLEASED TO INTRODUCE THE CHAIRMAN OF THE NATIONAL HOUSING TASK FORCE, JIM ROUSE.

STATEMENT OF JAMES W. ROUSE, CHAIRMAN OF THE NATIONAL HOUSING TASK FORCE, CHAIRMAN OF THE ENTERPRISE FOUNDATION, COLUMBIA, MD

Mr. ROUSE. Thank you, Senator. I'm very proud to be here, very proud of Chattanooga, proud of the work you're doing in the Senate and Housing committee.

We've—your action, and taking the first part of the Housing Task Force report that relates to homeownership and incorporating that in legislation was a wonderfully aggressive and encouraging to all of us who served on the task force.

I might just say to the people in Chattanooga that this task force report was independent. We were not paid for by Congress. We had to raise our own money. We had to find our own members. And it was suggested by two Senators, Cranston and D'Amato, that we do it, but it was a very bipartisan study. People who were developers and real estate men and professionals in housing all over the world and activists for the poor, very diverse. It was a very significant thing that was a unanimous agreement on every aspect of the report which we never had intended, and never had believed could occur.

But it's an expression of how seriously the housing situation in American is being taken today across the whole spectrum of economic, political, and social thinking that we do have a dreadful situation in this country that there are people living in disgraceful conditions and really no effective programs to deal with them.

We have a big job ahead. The task force met every week for 2 days and a night from October until December, and turned in its report in March and happily has been well received from Senator Sasser and other Members of the Senate. Chattanooga is really almost of indescribable importance to the efforts of the housing authority. That's not an overstatement. For the people of Chattanooga, the mayor, the city government, the newspapers, the business community to have first of all asked that a study be made to see what ought to be done about housing.

And our foundation had the opportunity to make that study and examine Chattanooga thoroughly and produced the report that said nearly 14,000 dwelling units were in unfit or unaffordable condition, and this was a job, a task that was going to cost $150 to $200 million, but that the only right thing for the city to do was to take on the task of doing it, of making all housing fit to live, and by doing that it has.

We urge that only in this way could the city be serious about housing, combine all the energy and power that could be brought to bear, gain the kind of support that can come from people if they feel that there is a solution that's being worked on rather than just a program effected. And that has resulted in remarkable things here, that a representative board was set up of Chattanooga Neighborhood Enterprise and the mayor has given his full support. Now, they have a staff of 23 people working there.

The fact that after the report was turned in saying it would take $2,300,000 in operating budget in the first 3 years, and to have the private sector in 90 days come up with a commitment of $2,400,000. When I tell that in other cities around the country, I can hear

people gasp in astonishment that a city of 180,000 people could ever face up to a situation like this.

There has been heavy involvement of the community. The city government has been a full, vigorous participant in this, a consolidated CNE, various programs, the rehabilitation program under 312, the rental rehab block grant program. The mayor has said that he will support a sales tax. This is hugely important that that tax be passed. I know it's in the state of discussion now, but that ½ of 1 percent increase in sales tax, half of which would go to housing the poor, would produce $3.5 to $5 million, and this money would be the real heart-triggering money of the whole program.

The State has adopted a $12 million program to support housing of the poor. If I understand right, it will be a grant program to cities, probably half a million a year or more coming into Chattanooga, very important money. The banks have, as you heard, have gotten together to form a community development bank which would be a new thing to have happen. It exists in other cities, but this will be a great enabler of private funds.

We would hope that a part of that would be a benevolent loan fund in which people could deposit money at a very low rate, 3 percent, which would produce money for housing at 5½ to 6 percent.

The Housing Task Force program relates hand and glove to what's happening in Chattanooga. We said in the report that the important new event in American history in housing is what we call the new wave of activity that has sprung up across the country with nonprofit groups, churches, cities, States, all kinds of sources of just an upspringing of new programs, housing trust funds in some States, new tax programs in others, the new financing programs in cities and State money raised by private funds all being made available.

And that new wave is what HOP, Housing Opportunity Program, is directed at. And that program, if passed, would be to support exactly what Chattanooga is doing. In supporting through Chattanooga Neighborhood Enterprise these individual local initiatives, HOP would provide direct grants to the city's highly flexible minimum regulation to money to be available to the city to respond to its needs.

It has an ingenious piece of it in which instead of the Federal Government designing programs and laying them down on the city, Federal Government makes money available to provide the city to find its program, to find its needs, lay out a program to meet those needs, and that has to be done to get the money. And then when it gets the money, it is monitored, too. In other words, the program is carrying out, the money is being carried out to fulfill the program. That means instead of the Federal Government laying down a program and then seeing that the city does it, it means the city is to find a program, get money and then are monitored by the Federal Government. It reverses the delivery system of the past.

It's a program from the bottom up. It is the way we must begin to work in America if we are going to really get at these local problems of housing of the poor. This program is targeted to the very poor. And this is crucially important that this program, unlike earlier Federal programs, would provide that 80 percent of the funds must be used to house people below 50 percent of medium income.

That would mean in Chattanooga, I think, people with incomes below $8 or $9,000 a year. And the other 20 percent of it can be used for people 20 percent of medium income would be up around $12 or $14,000 a year, but 100 percent of the money must go to the poor. Also a provision for State money which can reach up to higher incomes into middle income housing.

It also provides for renewal of tax-exempt bonds that can be very important in the sale of bonds by the State to finance housing. It provides for an extension of the tax credit provisions in the 1986 housing bill, and that is hugely important. $9 billion was made available by Congress, $3 billion a year, and it runs out each year if it is not used. And it all runs out by the end of 1989, which really means it runs out in 1988 because it has got to be finished in 1989. So, we're almost done with it.

The Chattanooga program absolutely must succeed. It is truly as Ruth Holmberg's newspaper said, "A Lighthouse for a Nation." Dreadful if it fails, it would set up tremendous disillusion in Chattanooga, in Tennessee, and in the country. A lot of troubles ahead. A lot of problems to be overcome. A lot of discoveries that have got to be made of new ways of doing things. But if the community is serious about this task, it will invent new solutions. There are a lot of new solutions there and they will be found, but being a total program that can solve the problem over a period of 10 years generates new energy, generates new power, and it's terrifically necessary.

The homeless, the homeless are triggering a new spirit in this country. The homeless are grabbing the conscience of the American people as nothing else has. We've seen a lot about housing the poor before and nobody pays enough attention. A man and a woman on the street with their children looking for a place to sleep wrenches the conscience of America. And it has caused huge publicity, huge attention, real focus on this, but as you focus on the homeless, it's just out there. Combine the homeless or the near homeless millions and millions of families who are right at the edge, one slip, one mistake, one loss of pay for 2 weeks, in the hospital, and they're on the street, and we have a really desperate injustice in this country today.

We've got to get hold of it. No other free industrialized society in the world has the conditions we have in the United States. And Chattanooga is the important beginning point on what has got to become a national movement to house the poor. And it's marvelous that you're so well started. We're proud of you, proud of you, Senator, for coming down here to hold this hearing. And we look forward to great results in the Senate.

Senator SASSER. Well, thank you very much, Mr. Rouse, for that very informative message. Mr. Powell, do you have to add anything to that?

STATEMENT OF L. MATTHEW POWELL, PRESIDENT, CHATTANOOGA NEIGHBORHOOD ENTERPRISE

Mr. POWELL. No, I was just going to welcome you earlier, Senator, on behalf of Chattanooga Neighborhood Enterprise for coming down to study our developing approach to providing housing for all

our citizens, and the way you introduced the slide show which I was going to do.

Senator SASSER. I didn't mean to steal your introduction, I apologize. Mr. Rouse, let me just ask a few questions here. No. 1, are there any similar programs being conducted anywhere in the Nation similar to the one here in Chattanooga?

Mr. ROUSE. There are a lot of similar programs in pieces. There are a lot of good things happening around the country. Our foundation is working with many nonprofit organizations in 27 cities. None of this would have been possible 10 years ago. There are remarkable programs in Washington, remarkable programs in Lynchburg, VA, but these are pieces, these are individual neighborhoods, these are individual functions. But the importance of this is that nowhere else in the United States has a city said, a city and its people said that we're going to make all housing in this city fit and affordable in a set period of time. Every city has got to do that, to be taking housing for poor people seriously. This is unique.

Senator SASSER. How do you view the housing situation in this country as it affects poor people, or people in lower income brackets? Without programs similar to this HOP program that you're advocating, and without programs similar to the Chattanooga's initiative here, what is the future of housing in this country as you see it for poor people, or lower income people?

Mr. ROUSE. First, it's desperate, truly desperate. I hate to use words like that because they almost sound inflammatory, but in the last 10 years, the number of people in poverty has increased from 25 million to 32 million. At the same time, the number of housing available to the poor people, housing available at $250 a month has declined by 2.5 million units.

So, you have an increase in the demand and a lowering in the supply that results in a rising in rent. And there are 13 million families in the United States with income under $10,000 a year. 42 percent of those families pay over half their income in rent. An income of $7,000 a year, they pay over 70 percent of their income in rent.

Think of people, think of a family paying 70 percent or 50 percent of its income in rent. This means there are no resources for anything else, hardly enough for food and shelter, much less anything for saving. Those are the people on the brink, millions and millions of families.

A reporter asked me the other day what's it going to look like in 3 years from now. I had never been asked that. I had never thought of that. I was looking at longer terms or immediate terms. I said it's going to be incredibly worse than it is now.

There are no programs in existence to turn off the faucet, just a flow of people onto the streets and homelessness and people living desperately in bad housing all over the United States. It's a—these kinds of programs cannot be immediate solutions. We've got to be working over a period of 10 years. Our task force report was based on a 12-year program, by the end of the century to have fit and affordable housing available to all people.

Senator SASSER. I noted in the task force report that you indicated that within the last 7 or 8 years, for the first time in almost a half a century, there has been a reduction in first time home

buyers between the ages of 24 and 35—a reduction of about 20 percent. What of this?

Mr. ROUSE. Now, and the result of that is, for the first time in 50 years, we have an actual reduction in the percentage of homeownership in the United States. Percentage of homeownership has increased steadily for 50 years, but for the last 2 years the percentage of homeownership has declined by about 2 percent a year.

Two percent doesn't sound like a big figure, but applied to the population, it's an enormous figure. People who can't buy houses who are ready to buy houses, if they could buy houses, they would be moving up. And if they moved up, other people would be moving into their houses. This is sometimes called the trickle-down theory, it's really the trickle-up theory. As people move up, others move up, and when that doesn't happen, the cork doesn't move out of the bottle, then the people above the poor that are moving into housing that the poor ought to be moving into. There is a continuum in the housing picture from the homeless to the people living in a $100,000 house. The flow isn't working, all of the damage comes with the poor. It's the poor who suffer.

Senator SASSER. So, we have young people that before 1980 or 1981 could have been first time home buyers are now still staying in rental property and they're competing for limited rental property with lower income people, with poor, and lower middle-income people?

Mr. ROUSE. They're competing with the poor, and it just keeps going down. You're absolutely right. Therefore, your proposed legislation is very, very important, not just for middle and lower middle income people, but for the poor.

Senator SASSER. So, the legislation that I've introduced in the Senate, which will allow first time home buyers a better opportunity to purchase a home would have the dual effect of allowing young people to get into their own home and own, but have the other salutory impact of vacating the rental property so lower income people can move into them?

Mr. ROUSE. That's right.

Senator SASSER. Now, Mr. Rouse, we're enormously pleased that you have come here to the city of Chattanooga, enormously pleased that you're interested in our problems here in Tennessee and in Chattanooga. How did you get aquainted with this city? How did you decided to make this the test city, if you will?

Mr. ROUSE. Well, a few friends here, I guess. People like Rick Montague were responsible for my being invited by Chattanooga Venture to come down here almost 2 years ago now. I guess it was more than 2 years ago. Ruth, you were chairman of the committee. When was that?

Ms. HOLMBERG. I don't remember, but I'm sure it was more than 2 years ago.

SPEAKER FROM FLOOR. Four.

Mr. ROUSE. Four years ago. Was it really? We haven't done enough. But to come down and talk about the image of the city. And I said you shouldn't try to do anything about the image of the city that if you work on the image of a city you're sure not to give it a good image. That's newspaper, public relations talk. What you really got to do is make the city work. If you make the city work,

its image is going to be good. And wound up that talk saying that the only real way to make a city work is to set out to do the whole task, and especially with the poor, because this is the most desperate problem of every city.

Well, that talk didn't shake Chattanooga. There wasn't any violent eruption the next day or the next week, but I guess it was almost a year later that I got a call asking what did I really mean by that, what ought to happen. And we came down and we talked with the people in Chattanooga Venture, Bob Corker and the city, and Chattanooga Venture put up enough money for us to make a study of Chattanooga. We did and we turned in that report in September 1987, is that right, Bob?

Mr. CORKER. September 1986.

Mr. ROUSE. 1986?

Mr. CORKER. Yes, sir.

Mr. ROUSE. I'm getting old. I'm not quite the same, but, anyway, turned in the study. They formed a task group to monitor this and to respond to it. And when we turned in this report saying 14,000 dwelling units which would take a $150 to $200 million and laid out a schedule over 10 years and described the structures that would have to be set up and the things that would have to happen. We did the job as we saw it. We turned it in with great trepidation to this task force because of the load that we were laying on the city. And low and behold, the task force said, let's do it, let's do it, let's take it on. And that was Chattanooga at its best. And the Mayor said within a week, the most important event in Chattanooga's history. And Ruth Holmberg's newspaper said front page editorial "Lighthouse For a Nation."

It was picked up and, by gosh, it kept moving. We formed this—CNE really came into being only last June. We had a year. And in a year, 420, 430 houses in Chattanooga have been rehabilitated. I don't think this has happened in this country. We work with all these nonprofit organizations. We haven't had one single one that has made that kind of effort.

We've been working—we went to Miami they asked us to come down there. They wanted to do something. The business community, the city, the county together put up a three quarters of a million dollars.

We agreed that we would bring into being in 2 years four neighborhood groups, each of whom would be doing 25 units a year. In 2 years, we produced five neighborhood groups doing 237 units. This is 450 units in the first year, extraordinary. It's only a beginning. 450 units a year for 10 years would be 4,500 units, and you got 14,000, so the pace has got to quicken, but it's a remarkable beginning.

Senator SASSER. Let me just ask you another question, Mr. Rouse. The National Housing Task Force report that I've referred to today recommends the HOP program as a means to, and I quote, "Foster and stimulate State and local initiatives to develop, renovate, and conserve low-income housing." Now, in getting around here in Chattanooga today, we saw some houses that had been rehabilitated. The program here in Chattanooga seems to dwell principally on the rehabilitation of substandard housing. And it appears to be doing a good job. As you say, we need to quicken the

pace. And those of us at the Federal level need to do what we can to see that the pace is quickened, but what about new houses? There are areas where new housing really needs to be developed. Will the HOP program or the HOP concept work in developing new houses for those enormous numbers of families who can't find affordable housing?

Mr. ROUSE. Yes, it will. There is a great latitude in how the money is used. Our foundation has produced new housing, to sell a three-bedroom house in the Baltimore area for $29,600 with the help in favorable State financing that's purchasable by a family with an income of $9,000 a year paying $236 a month.

That kind of thing can happen under HOP. Circumstances vary different city after city. Chattanooga's housing is largely single family detached small housing. This is in a way much easier to work with. Washington, for example, is almost entirely 12, 30, 40 unit apartment buildings, much harder to work with.

Also, our survey showed that there isn't an enormous need for new housing. That the quantity of housing available if rehabilitated could make housing affordable, give that opportunity to the people of Chattanooga with——

Senator SASSER. Is this in Chattanooga or on a national level we're talking about no need for new housing, but rehabilitating the older housing we already have?

Mr. ROUSE. Three-quarters of the housing occupied by poor people in the United States is privately owned, unsubsidized. If you could, wanted to do something about housing the poor, and you could wave a wand and make all that housing fit, livable, and affordable, you would have made the most major achievement in housing for the poor that could be made.

So, interpreted back to Chattanooga, the big job I think, big opportunity is in rehabilitation, but certainly there will be some new housing and there ought to be. If I took a guess, I'd say in the neighborhood of 500 to 1,000 units. That can be important in giving a lift to the spirit of a neighborhood, creating a better quality of life in a community.

That is what you really are after, but making the housing fit is obviously the beginning, and in the end, you've got to take advantage of this program of making all the housing fit and affordable.

And somewhere along the line, the city has got to awaken to the fact, gee whiz, if we pull together on education and health care and drug and alcohol prevention and direction and job training and employment and all of these things would pull together in the way that housing is, then you'd lift the whole quality of life, save money, do a bigger job. That would be the same reinforcing power in the community that occurs in taking on the whole housing.

Senator SASSER. Well, Mr. Rouse, thank you very much. I could sit here and ask you questions all afternoon, but Gordon Stoddard here on the Banking Committee staff is pushing me along. We've got some other witnesses.

Mr. ROUSE. Thank you very much.

Senator SASSER. Thank you very much for joining us. I might say that these hearings here are going to be transcribed and will be made available to my colleagues on the Senate Banking Commit-

tee, and the Housing Subcommittee. And they will be studied by the staff on both the Banking Committee and the subcommittee.

Our next panel consists of Gene Roberts, the mayor of the city of Chattanooga, and Robert P. Corker, Jr., the chairman of the Chattanooga Neighborhood Enterprise.

Mayor, we'll change that name tag there so you won't be flying under false colors here this afternoon. Mayor, why don't we proceed with you first? We're pleased that you would allow us to come into your city today and hold these hearings. And we are pleased with the good progress that you are making on this whole concept. I want to congratulate you and commend you.

STATEMENT OF GENE ROBERTS, MAYOR OF CHATTANOOGA

Mayor ROBERTS. Senator, thank you for coming. We're pleased to have you and your committee staff here looking into what's happening in Chattanooga with the idea that this kind of thing can happen in other places in the country.

Let me thank Jim Rouse for coming down and giving even more of his time to us. He has already given us many, many days of his time. Bob Corker, he doesn't like me to do this, but Bob was, Bob put up part of the funding to help get Venture down here in the first instance, to give us some idea of the size of the problem we had to tackle and whether or not it was feasible to do it or not. Bob and Venture and Lyndhurst, as a matter of fact helped get that going. I have prepared a statement and I'd like to read that.

First, let me tell you that I think this effort is important for a number of reasons and you just alluded to a few of them. Homeownership promotes interest in neighborhoods. That causes people to be more concerned about the quality of schools. It causes people to be more concerned about crime in the neighborhood. It causes people to be more concerned about what young people are doing at night, on the weekends, et cetera. Homeownership promotes a whole range of social interests that benefits our society. And to the extent that we can increase that, I think we'll make this a better city and a better country.

The government of the city of Chattanooga fully supports the goal of making fit, livable, and affordable housing available to all Chattanooga residents. It's only fair that low-income residents share fully in the economic and physical revitalization of the city. Further, the city's tax base depends in material part on the preservation of housing in the city's older neighborhoods. Business will be more likely to locate in Chattanooga or expand operations and employment if their workforce can find decent affordable housing. Finally, the housing rehabilitation construction envisioned in Chattanooga's 10-year program will provide hundreds of jobs and business opportunities for Chattanoogans.

The city has contracted with Chattanooga Neighborhood Enterprise to manage a substantial portion of its block grant, rental rehabilitation, and other federally financed programs because combining publicly and privately funded programs under one management will be more cost effective and productive. And I've seen that. As was mentioned earlier, we started with a production of about 100 houses a year. In CNE's first year, we're looking at close to 400

housing units redone. I like that, I like it very much. We had a waiting list 2 years old in emergency housing, and, Matt, what's the size of that now?

Mr. POWELL. It's current.

Mayor ROBERTS. Current, so it has made a difference. Already in its first year of operation, CNE is rehabilitating some 340 housing units, many times the number of units rehabilitated in earlier years. All of these units are occupied by low-income families, many of whom are elderly and on fixed incomes below $7,000 a year.

Nonprofit corporations like CNE can develop innovative programs to facilitate homeownership and preserve affordable rental housing. CNE will be supplementing public funds with grants and below-market interest rate loans from local and national and private philanthropic sources. And CNE is reaching out in new ways to the city's low-income communities to encourage home owners and landlords to take advantage of all available programs to revitalize their homes and revitalize their neighborhoods. Inner City Development Corp. [ICDC], which concentrates its efforts in the Martin Luther King Blvd. area, and Neighborhood Housing Services, which is active in St. Elmo, are partners with CNE in our comprehensive housing program.

In support of these housing rehabilitation efforts, the city is modernizing and expanding its code enforcement program. Systematic enforcement of the city's housing codes in low-income neighborhoods can ensure the housing is safe and livable without causing displacement of low-income home owners or renters if it is closely coordinated with CNE's rehab finance programs. And that's what Commissioner Littlefield's department is doing, that is coordinating the code enforcement program with CNE and ICDC and with Neighborhood Housing in St. Elmo.

The city recognizes that its citizens as a whole must contribute to these low-income housing programs if they are to succeed. For this reason, the city commission has put forward a referendum proposal for a one-half percentage point supplement to the State sales tax, half of which, or some $3.5 million in the first full year, will be placed in a housing trust fund for low-income housing.

In addition to rehabing privately owned housing, the city will become increasingly concerned with modernization of its public housing stock. We hope to involve, and need to involve, tenants more broadly in that effort.

It must be recognized, however, that local resources plus existing Federal resources are not sufficient to solve the low-income housing problem in Chattanooga or in any other city. The State of Tennessee is responding with small but an important program of grants to localities.

Federal funding with flexible guidelines is needed to complete the Federal Government, State government, local government, private partnership which will be required if we are truly to make the quest for decent housing for all of our people a realistic goal.

And we're not too modest to suggest that where there are communities already at work to provide better housing for the poor and elderly tenants and home owners, and where those same tenants and home owners are sharing the burden of improving their homes and their neighborhoods, the National Government would

be wise to invest resources there and reap the dividends and thereby encouraging similar housings rescue partnerships across the land. That would be a very great service indeed to all of America.

Senator SASSER. Well, thank you very much, mayor, for that very good statement. We'll here now from Bob Corker.

[The complete prepared statement of Mayor Roberts follows:]

STATEMENT OF GENE ROBERTS, MAYOR OF CHATTANOOGA

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CNE will be supplementing public funds with grants and below-market interest rate loans from local and national private and philanthropic sources. And CNE is reaching out in new ways to the city's low-income communities to encourage homeowners and landlords to take advantage of all available programs to rehabilitate their homes and revitalize their neighborhoods. Inner City Development Corporation (ICDC), which concentrates its efforts in the Martin Luther King Blvd. area, and Neighborhood Housing Services (NHS), which is active in St. Elmo, are partners with CNE in our comprehensive housing program.

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And we are not too modest to suggest that where there are communities already at work to provide better housing to poor and elderly tenants and homeowners, and where those same tenants and homeowners are sharing the burden of improving their homes and their neighborhoods, the National Government would be wise to invest resources there and reap the dividends of thereby encouraging similar housing rescue partnerships across the land. That would be a very great service indeed to all of America.

STATEMENT OF ROBERT P. CORKER, JR., CHAIRMAN OF CHATTANOOGA NEIGHBORHOOD ENTERPRISE

Mr. CORKER. Thank you. I have a prepared statement also because this is a hearing. I prefer to speak without notes, so I will give a summary of this and Laura Scherzer will submit on behalf of me a full report.

Senator SASSER. Your full statement will be included in the record, Bob, but we will be glad to hear a summary.

Mr. CORKER. The city of Chattanooga and its private sector leadership have made a major commitment to renew the city's low-income neighborhoods and to help low-income families move in the social and economic mainstream.

With encouragement, Mr. Jim Rouse and Enterprise Foundation, the city government, and private sector leadership launched CNE as a public/private partnership with the mission to make all available housing fit, livable, and affordable housing within the next 10 years.

I could give you some of the statistics, but you saw the slide show, and Jim Rouse does a much better job of painting pictures both nationally and locally. Housing in Chattanooga is deteriorating at a great pace. From 1980 to 1985, we had over 1,600 units here in the city of Chattanooga which were abandoned and demolished. If this continues to happen, we're going to have the same plague that other cities have where we have high areas of intense unoccupied areas where the city loses its tax base, crime increases, and we have a blight of homelessness.

In Chattanooga, CNE has set about to fulfill a mission, and we have several things we plan to do in order to keep this from happening. One is to provide technical and financial assistance for low-income home owners to enable them to rehabilitate their homes and make them fit and livable. Mayor Roberts talked about—we're already providing emergency repairs and Matt just testified that those are current now. We're helping qualified low-income tenants buy their homes, which we think is very important, increasing the homeownership and talking about the very thing that you talked about earlier with your bill. We're encouraging the owners of unsafe homes to correct that situation by giving them technical assistance and financial assistance.

In cases where they are unable to do that, we're offering to buy those homes and either offer them for sale to the people who are occupying those units or rent them out to low-income renters. Wherever that is not feasible—something you were addressing earlier—we are addressing new construction and want to construct new modest homes to replace those that are being abandoned.

Senator SASSER. What would be the typical sale price for new homes to replace those?

Mr. CORKER. Jim Rouse just threw out a number of $29,000, but so far we still are looking at a number of $35,000 here in town with a lot. We have a lot of work to do and are trying constantly, working with TVA, as a matter of fact, to figure out ways of lowering those costs, but right now we're looking at $35,000.

One of the other things we are doing that is very important, working with the Private Industry Council is that we are training

youth here in town to become rehab specialists. So, our efforts are not only to provide homes for low-income Chattanoogans, but also training youth that are unemployed in those trades hopefully to get them in the employment ranks, and also start smaller rehab contracting firms.

Obviously, we think the program is going to cost $200 million. We've raised a substantial amount of money this year of $6 million. We have a sales tax which is now proposed dollars which we hope will be voted on August 4. This will generate about $4.5 million to this program. I think the one thing I would like for you to know is we definitely need another $4 million a year from the Federal Government in order for this program to be successful.

Senator SASSER. $4 million a year?

Mr. CORKER. Yes, sir. Chattanooga's program is founded on strong local commitment and local support and on the vision that the housing problems of the poor can be solved. That's one thing that also needs to be focused on. The Enterprise Foundation gave us the vision, but we locally have set about the objective to be the first American slum-free city. And the city government and local private sector leadership are now developing our own unique approaches to solving our housing problems.

We're not just planning to rehab a few homes in a few areas. We're planning on doing it all over the city. And the adoption of this lofty goal has already stimulated an unprecedented amount of outpouring of public and private support. We hope that this vision and a solid record of performance in our first year of operation, which you have just seen and heard, will show you that we have local support and encourage Federal and State support.

Our program is very long term. And as I indicated, we need a multiyear stream of funds. The source needs to be something that we can count on. We need to do that so that we can make long range funding commitments, and we need to make it and do it so that our program is very efficient. That's the only way we can generate the trust of our low-income community and it's the only way that we can allow them to generate some form of self help.

We believe that the local officials here and the local private sector can design and manage housing programs more effectively than the Federal Government.

Senator SASSER. I agree.

Mr. CORKER. OK. Good, but if the Federal, State government provides substantial support for the local housing group, we feel that you should insist that we match the funds that you send to us. The State has just incorporated a housing trust fund here where the funds that they send to local governments have to be matched locally. We feel that the Federal programs that are sent to the local communities should do the same thing.

We want to restore the confidence of home owners and landlords in these neighborhoods and make it attractive for them to be home buyers. Success in achieving that objective will mean that there will be a demand for market rate financing. And we hope that will in turn come about. You've heard about the community bank. We are meeting with bankers and setting up a way of making below-market rate loans and coordinating those. That's very important to us.

One of the principal impediments increasing homeownership is the inability of low-income families to accumulate the downpayments and closing costs needed at the time of the home purchase. Legislation to keep FHA downpayments as low as possible and to permit FHA insured short-term financing, downpayments, and closing costs which will stimulate homeownership in Chattanooga's low-income neighborhoods.

Senator SASSER. That's my bill right there.

Mr. CORKER. That's great. We're glad you're here and want you to come back. As part of the demonstration of the feasibility of this program that you're talking about, we will, CNE will provide intensive financial and home maintenance counseling to home buyers to ensure that they will keep up their payments and maintain their homes.

With adequate support from the Federal and State government and the voters of Chattanooga in August, we at CNE pledge to demonstrate that the time honored goal of decent, affordable housing in a decent neighborhood for all Americans can be achieved. Thank you, Senator.

[The complete prepared statement of Mr. Corker follows:]

STATEMENT OF ROBERT P. CORKER, JR.,
CHAIRMAN OF CHATTANOOGA NEIGHBORHOOD ENTERPRISE

The City of Chattanooga and its private sector leadership have made a major commitment to renew the city's low-income neighborhoods both to help low-income families move into the social and economic mainstream and to ensure decent housing opportunities for employees of new business developments.

With encouragement and advice from The Enterprise Foundation, city government and private sector leadership together launched Chattanooga Neighborhood Enterprise (CNE) as a public/private partnership with the mission to make fit, livable and affordable housing available to all of Chattanooga's residents within ten years.

According to most recent census figures, some 23,713 or 38% of Chattanooga's families had incomes under $10,000 per year. Over 13,000 families paid more than 30% of their income for housing. There is no reason to believe these conditions have materially improved.

A recent survey of the condition of housing, mostly in the inner-city area between the Tennessee River and Missionary Ridge, found that at least 15,000 housing units, mostly single family houses, need rehabilitation, at an average cost of $6,700. Low-income homeowners, many of them elderly, cannot afford to repair their homes without financial assistance. Landlords, many of them low-income themselves, are deferring necessary maintenance because they cannot afford repairs, much less needed rehabilitation, unless they raise rents well beyond the tenants' capacity to pay.

. Housing for low-income Chattanoogans is deteriorating at an alarming rate. From 1980 to 1985, over 1,600 housing units were abandoned and demolished. Unless steps are taken to reverse this trend of deferred maintenance and deterioration, Chattanooga will begin to experience in increasing intensity the plague of homelessness that is blighting other cities; and substantial areas of the city will lose their housing stock with resultant blight and erosion of the city's property tax base.

In order to fulfill its mission, Chattanooga Neighborhood Enterprise will:

- Provide technical and financial assistance to low-income homeowners to enable them to rehabilitate their homes and make them fit and livable while keeping their housing expenses affordable.

- Provide emergency repairs to deal with emergency and safety housing problems.

- Help qualified low-income tenants buy their homes, thereby increasing home ownership and neighborhood stability.

- Encourage owners of unsafe or deteriorated rental housing to rehabilitate that housing while keeping the rents affordable to existing tenants by giving such owners technical assistance and such financial assistance as may be necessary to make such rehabilitation economically feasible.

- In cases where owners of unsafe or deteriorating rental housing are unable or unwilling to rehabilitate their housing, to acquire the housing, rehabilitate it and rent it at affordable rates to low-income tenants or, if feasible, to sell it for occupancy by low-income homebuyers.

- To the extent that deteriorated low-income housing is infeasible for rehabilitation and must be demolished, construct modest new housing for sale or rental to displaced low-income families.

- Train unemployed youths to become rehabilitation specialists and foster the development and growth of local rehabilitation contractors.

In every case financial assistance will be in the form of loans with terms and interest rates geared to the homeowners' ability to pay debt service or to the amount of debt service that rental properties can afford while keeping rents affordable. In addition, financial assistance will only be provided to rehabilitate electrical, plumbing and heating systems, to repair roofs and interior and exterior walls, and to provide for minimum finishing - not to increase housing size or add amenities.

We estimate that this program will cost $200 million over ten years. Some $50 million for home improvement, home purchase and investor rehabilitation loans should qualify for market rate financing through our proposed Community Bank. Below market interest rate loans and grants from the private sector could account for another $50 to $60 million of program funds. But almost half of the financing of this ambitious program will have to come from federal, state or local sources. The state has just passed a landmark low-income housing grant program which could provide

Chattanooga with some $5 million over the next ten years. The City of Chattanooga has proposed a sales tax supplement that could make $3.5 to $4 million available to the program each year. But at least $4 million a year will have to come from various federal programs including tax credits.

The sales tax supplement and federal program funds are both absolutely essential to the success of the Chattanooga program.

The Chattanooga housing program is founded on strong local commitment and local support and on the vision that the housing problems of the poor can actually be solved. While the Enterprise Foundation initially stimulated Chattanooga leadership to envision that Chattanooga could be the first American slum-free city, city government and the local private sector leadership are now developing our own unique approaches to solving our housing problems. We are not just planning to rehabilitate some houses or revitalize one or two deteriorated neighborhoods. We aspire to make fit, livable and affordable housing available to all Chattanoogans with ten years. The adoption of this lofty goal has already stimulated an unprecedented outpouring of public and private support. We hope that this vision and a solid record of performance in our first year of operations will ensure continued local support and will encourage a commensurate federal and state response.

Chattanooga's most pressing need is for flexible grant funds. Those funds must be available to CNE as grants to enable us to help very low-income, predominantly elderly homeowners who can only afford nominal debt service on loans to rehabilitate their deteriorated homes and very low-income renters who cannot afford higher rents, which would have to be charged if their landlords borrowed at market rates to rehabilitate their

homes. (This past year a large proportion of assisted homeowners were in their late sixties and had annual incomes of under $7,000.) The funds must be flexible so that we can make our program cost efficient by keeping rehabilitation expenditures per unit as low as possible and spread limited funds over as many homes as possible.

The Chattanooga program is long term. We need a multiyear dedicated stream of funds from the city government and a reliable funding source from the federal government. Each financing source supports the others. Long range funding commitments make long-term efficient programs possible; and only a long-term program will generate the levels of trust and self help from the low-income community itself that will be necessary if the program is to succeed.

We believe that local officials and the local private sector can design and manage housing programs more effectively than the federal government. But, if the federal or state government is to provide substantial support for local housing programs, it should insist that local government and the local private sector share the financial burden and leverage federal funds. The new Tennessee state low-income housing program requires local matching funds. Any new federal funding program should do the same.

At present very few market rate housing loans are being made in Chattanooga's low-income neighborhoods. Most homeowners cannot afford market rate loans; and those that can are not confident that home values in their deteriorating neighborhoods justify spending money on home improvements. Very few homes are being purchased by new homeowners for the same reasons. And landlords are continuing to defer maintenance.

One clear objective of the program is to restore the confidence of homeowners and landlords and to make the neighborhoods attractive to homebuyers. Success in achieving that objective will mean that there will be demand for market rate financing. Enterprise and CNE are working with a coalition of local banks to form a Community Bank CDC to marshall and manage market rate and below market rate deposits to finance home improvement, home purchase and rental rehabilitation loans in these neighborhoods.

In addition to serving as a link between Chattanooga banks and low-income housing the Community Bank CDC will be the vehicle to attract below-market-rate "benevolent" funds from local and national corporations, religious organizations, foundations and individuals. While short-term low-interest funds will be useful for acquisition and rehabilitation loans, the more critical need is for long-term below market interest rate loans. Lending long-term from short-term deposits involves serious liquidity risks familiar to us all. Federal standby support would solve that problem and greatly increase the usefulness of benevolent loans.

One of the principal impediments to increasing home ownership is the inability of low-income families to accumulate the down-payment and closing costs needed at the time of home purchase. Legislation to keep FHA down-payments as low as possible and to permit FHA insured short-term financing of down-payment and closing costs would help stimulate home ownership in Chattanooga's low-income neighborhoods. As part of a demonstration of the feasibility of such a FHA program CNE would provide intensive financial and home maintenance counseling to homebuyers to ensure that they will keep up their payments and maintain their homes.

With adequate support from the federal and state governments and from the voters of Chattanooga, we at CNE pledge to demonstrate that the time honored goal of a decent affordable home in a decent neighborhood for all Americans can be achieved.

Senator SASSER. Bob Corker, thank you for a very excellent statement. I want to ask you one or two questions here. One, you referred to a moment ago that a community development bank is being formed here in Chattanooga. How does that differ from a traditional financial institution? What will it accomplish and how would you capitalize it?

Mr. CORKER. The difference is that the retail bank, it would be where the deposits would originate. That would be the place where people who are wanting to contribute to allow low-income housing to take place. That's where the deposits originate. As you know, many banks are under strict guidelines now due to the CRA act. And they are trying to find ways in which they can, they can do things that are benevolent in the community, so that they can live up to those CRA requirements.

This Community Development Corp. will allow those banks to take deposits. For instance, many people give to charitable institutions. Instead of doing that, they can make deposits in this bank and maybe get a 3 percent interest, instead of getting 6. Still get their principal, yet, that money could be used to provide housing for the poor. That way they still get their principal back, that way they still get some interest back and yet that money goes much further. That's how that would be used.

If all the banks in town would join in and do this, and all of the expressed interest in doing so especially with this CRA pressure that's coming from the Federal Government, then we would be able to create a liquid pool of funds to continue to allow us to rehab housing and recycle it. So, that's how it works.

Mayor ROBERTS. I think we ought to note for those, CRA is Community Reinvestment Act, and also note that Chattanooga bankers are in the forefront of the effort to create this nonbank bank. And also, Senator, the new rules on arbitrage might be fully insured by the way fully federally insured, so the new rules on arbitrage might see us parking some of those Federal funds there, too.

Senator SASSER. That would be very helpful. Well, Mayor, I had some questions, a question I wanted to ask you, but Bob Corker answered it in his statement. So, I won't have to ask you that question, but I do appreciate both of you coming here and giving us the benefit of your views on a Saturday afternoon. And, Mayor Gene Roberts, I particularly appreciate your efforts. I've often said that mayors have the toughest job, toughest job in government. The flipside of that is that you also get some of the greatest satisfaction out of it when you see programs work like this Chattanooga Neighborhood Program. Thank you very much.

Mayor ROBERTS. You're absolutely right. Thank you.

Mr. CORKER. Thank you.

Mr. ROUSE. Senator, the Housing Task Force report proposes $5 million capital for five community development banks. That's a demonstration of that from a community development bank.

Senator SASSER. Thank you, Mr. Rouse. Our next panel will consist of four people. Ms. Delores Kelly, who is a home owner, Tom and Iva Faye Gann, who are also home owners, Ms. Lillie Nichols, a prospective buyer, and Mr. Eric Jenkins of Jenkins Enterprises, a contractor.

Now, Ms. Kelly, and Mr. and Mrs. Gann are home owners, who as I understand it, their homes have been rehabbed by CNE, if I'm not mistaken. David, are you going to read Ms. Nichols statement?

Mr. FROMM. Yes, sir.

Senator SASSER. Why don't you do that, then?

STATEMENT OF LILLIE NICHOLS PROSPECTIVE BUYER

Mr. FROMM. Ms. Nichols called this morning and she was called to work and so she was unable to attend. She requested——

Senator SASSER. She was a prospective home buyer?

Mr. FROMM. That's correct. She had inquired through our program, THDA, which is the Tennessee Housing Development Agency, about the program. And she is a person who has been trying to acquire a house over several months and has just been unable to do so and I think your legislation has specific ramifications to her situation. So, if you would, I'd just like to read her statement. It's fairly brief.

Ms. Nichols is a single working parent with two daughters. She has been employed by Cook's Pest Control since December 1987, having been employed prior to that time by Orkin. She's renting an apartment and she recently moved out of her parents' house.

She had owned a home at one time, but ran into financial difficulty and lost the house. Having worked her way through a chapter 13 pay-off, she was trying to acquire another house. And as a single parent, however, it's difficult to raise two daughters and pay the bills and save for the downpayment and the closing costs required to purchase a house.

She recently attempted to purchase a house, but was informed that she would need at least $2,000 in cash at closing. As a single working parent, she said it was almost impossible to save any money, let alone keep such a balance of cash on hand. She is able to afford a reasonable monthly payment. And I believe she's paying almost $300 a month in rent, but is not able to save anything after all the bills are paid.

She called Chattanooga Neighborhood Enterprise to see if they could help with the purchase of the house. Chattanooga Neighborhood Enterprise has some funds available at 9 percent interest that could establish a monthly payment that would be affordable, but she still had difficulty meeting the other financial requirements necessary to close.

There is a real need for programs which can reduce the cash on hand needs for lower-income persons to buy a house. There are many people in similar situations to hers that can afford the ongoing expenses of owning a home if the interest rates remain reasonable, but cannot save enough money to meet the downpayment and closing requirements. And that basically is her statement.

[The complete prepared statement of Ms. Nichols follows:]

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE HEARING

Chattanooga, Tennessee

June 18, 1988

Testimony of: Ms. Lillie Nichols
Chattanooga, Tennessee

Hello, my name is Lillie Nichols. I am a single working parent with two daughters. I have been employed by Cook's Pest Control since December, 1987, having been employed prior to that time by Orkin. I am currently renting an apartment, having recently moved out of my parents' house. I had owned a home at one time, but ran into financial difficulties and lost the house.

I have worked my way through a Chapter 13 payout and am trying to acquire another house. As a single parent, however, it is difficult to raise two daughters, pay the bills and save for the down payment and closing costs required to purchase a house.

I recently attempted to purchase a house and was informed that I would need at least $2,000 in cash at closing. As a single working parent, it is almost impossible for me to save any money, yet alone keep such a balance on hand. I am able to afford a reasonable monthly payment but not able to save anything after all the bills are paid.

I called Chattanooga Neighborhood Enterprise to see if they could help me with the purchase of a house. They do have some mortgage funds available at nine percent interest that may establish an affordable monthly payment, but I will still have difficulty meeting the other financial requirements to close.

There is a real need for programs which can reduce the cash-on-hand needs for lower-income persons to buy a house. There are many people in similar situations to mine who can afford the ongoing expenses of owning a home (if interest rates are reasonable) but cannot save enough money to meet down payment and closing requirements.

Senator SASSER. Thank you. I want to welcome Mr. and Mrs. Gann here today and Ms. Kelly and also welcome Mr. Jenkins. We appreciate your coming here today and I'm going to ask you one or two questions. Let me direct this question to you, Mr. and Mrs. Gann, and you both can answer, then I want to direct the same question to Ms. Kelly. The question is, you live in houses or a house that has been rehabilitated by virtue of CNE's services. Tell us what it was like to live in the house before it was rehabilitated, and tell us what it is like to live in it now after it has been rehabilitated. Tell us what your experience has been with the whole program during the process of rehabilitation and afterwards. Who wants to go first? Let your wife go first. The ladies always speak first.

Mr. GANN. Right.

STATEMENT OF TOM AND IVA FAYE GANN, CNE HOMEOWNERS

Mrs. GANN. It was terrible. Our water pipes was busted. We didn't have any water, and it was just awful. It was cold. We didn't have insulation in our house and there was cracks in the walls, and the floor had pulled away from the wall and there was just cold air coming up through it. I have a little baby, a daughter, and it was just too cold for her to stay in there. And without water, you can't take a bath, you can't eat or anything, so I had to stay at my mother's. She didn't have but one bed and we had to sleep on the floor.

That's when I called around and tried to find a place that would help. I called everybody. I called Human Services, and I called everybody. See, me and my husband had gotten sick and we was both out of work. We just didn't have any money. We didn't have any income. And our house was just like that water busted, and so that's when I called Better Housing because I remembered about the old people that they had helped them, so I called them and I thought, well, you know, they helped them, maybe they will help us.

And that's when I called. And they said, well, we don't do that anymore, call Chattanooga Neighborhood Enterprise. So, I called them and said do you do repairs to homes and they said what kind of repairs do you need? I said well, I got several. I said you'd have to look at them. And they said we'll come out and look at them.

And when they came out, they said this is about the worst house I've seen, said the foundation is falling, said the sewer was backed up, and the water pipes was all messed up and everything. They just come in and they said it is going to take a lot of money to fix up this home. I said, well, I said, something has got to be done. I just can't live here with it like this. We need something done. And I said will you fix it, so they did.

And I'm proud of it. It's a lot better and it looks nice. I was embarrassed before and I don't have to be embarrassed now. So, I just want to thank them.

Mr. GANN. Since CNE took over and the construction company came out, they did a fantastic job. They brought their crew out and I was amazed at how fast that they did the work and completed

everything. They just built us a brand new house is what it amounts to.

Before, people who have seen it before and they come to try to find our house to talk to us, and they would go down the street because they wouldn't recognize our house. They will say that doesn't look like the house you lived in before. I said, it's not. It's a new home. So, they just totally went through from top to bottom and rebuilt it. And it's a real nice home now.

Senator SASSER. How long did it take them to rebuild the house?

Mr. GANN. He gave an estimation of 6 weeks inside and out, and he had it done within 6 weeks complete.

Senator SASSER. Do you know what the total cost was?

Mr. GANN. It was $21,970.

Senator SASSER. Right. And what is the value of the house now?

Mr. GANN. A lot more than what it was. The home was over 50 years old before they started.

Senator SASSER. Right.

Mr. GANN. Well, it's a new house now.

Senator SASSER. So, you've got, in essence, a good, affordable, livable house now to raise your family?

Mr. GANN. Right.

[The complete prepared statement of Tom and Iva Faye Gann follows:]

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE HEARING

Chattanooga, Tennessee

June 18, 1988

Testimony of: Tom and Iva Faye Gann
2113 Davenport Street
Chattanooga, Tennessee 37406

Our house is about 50 years old, but now everything is like brand new. It has been totally rebuilt.

In January of this year, both my wife and I got sick and were out of work. We lost our home and had to move back to this old house that we still owned, but it had sat empty for over a year. We had moved out of it previously because it was falling apart. There was no insulation at all; the walls were leaning; the foundation was slipping; and you could see through the floor. The water pipes had frozen and were busted. We had six heaters going and the house was still cold. We were sleeping on the floor and everybody was sick, including our two children (ages 12 and 2).

My wife started calling around to find someone to fix the water and we couldn't get any help. Then she went into the hospital and while she was in there, my father tried to fix the pipes. When she got home from the hospital, the pipes still weren't right and they were going to need to be redone. Then the sewer backed up.

My wife kept calling around trying to find someone to help us. We were both ill and out of work with no income. Then we remembered the Better Housing Commission. Several years before, they had looked at our roof and told us to get it fixed and we did. She remembered that they had helped out old people who didn't have the money to fix up their homes, so she called the BHC. BHC referred us to Chattanooga Neighborhood Enterprise (CNE).

When the intake workers came out from CNE, they told us that this was about the worst house that they had seen yet. They went through the house and wrote down everything that was wrong. They went back and had a meeting or something and then told us that they would fix our house.

The contractors (Green Construction) had to jack the house up four inches; put in a new foundation, new wiring, and plumbing; replace the sewer; rebuild the bathroom and back porch; put in new floors and carpet; and drop the ceilings from ten feet to eight feet. Now our house is quiet and airtight. Before, the air came in from under the floor and through the walls and we had six heaters going, but it didn't do any good. The ceiling was blackened from the wood stove.

The total cost was $21,970. And we want to pay it back as soon as we are able.

We are working people; we have always worked and taken care of ourselves. I worked for Buster Brown for six years; Willwear for six years and Fabric Finishers for five months. My wife also worked full time at Willwear until she got

sick. Right now, we receive $194 per month and food stamps. We've lost our insurance so the doctor won't see me [Mr. Gann] anymore.

Since January, I have had three surgeries. They thought that I had the flu originally, but it turns out that I have a lung disease, sarcoidosis. My employers are holding my job for me 'til I can return. I take two types of breathing medicine and I have asthma and bronchitis. My wife has lupus and takes medication for her heart. We have had very good support from our church, Harrison Baptist Church.

A lot of our neighbors have commented on our "new house." Some of the neighbors have started fixing up their houses because they realize how bad their's look now. We don't know where we would be right now without CNE. We want to pay back our loan as soon as we are able because we feel a real obligation to CNE for helping us out.

Senator SASSER. Ms. Kelly, tell us about your experience and your home, what condition it was in prior to being rehabilitated and what kind of condition it is in now.

STATEMENT OF DELORES KELLY, CNE HOMEOWNER

Ms. KELLY. Well, I don't guess I really could describe what condition it was in because it was, you know, such a bad shape. It was leaking and the ceiling was falling down, so I had to leave home and stay awhile. And it was just raining everywhere. I really had to get rid of a lot of stuff, my beds and things where it had rained on them.

So, they give me a new roof. In fact, it was a flat top house and they built it up, you know, built the top up, and some new pipes, water pipes and electricity and, you know, different things. Floors in the bathroom and in the kitchen, the sink and just a lot of steps and, you know, different things like that.

So, now it's a really nice place. And I'm really proud of it. I didn't never think I would live to see it in the condition it's in now, but it is.

Senator SASSER. Well, that's just grand.

[The complete prepared statement of Ms. Kelly follows:]

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE HEARING

Chattanooga, Tennessee

June 18, 1983

Testimony of: Mrs. Delores Kelly
711 Chevoit Street
Chattanooga, Tennessee 37411

I had problems with my roof for a long time. I had it fixed, but within 30 days it was leaking again. The people that fixed it were out of Georgia and I couldn't get them back to do anything about it. I put a mortgage on my house to pay them, so I am still paying that. I had a flat roof on my house and it just wasn't any good.

I talked to a lawyer about the problem that I was having with the roof, and she referred me to the Chattanooga Housing Authority/Better Housing Commission. Mr. Jack Davis came out and checked out the condition of my home and said that they would get back to me.

I am in my 70's and on a fixed income (approximately $300 per month). The house that I live in is old. I have lived there for over 25 years with the roof leaking, the ceiling falling in so my furniture was getting ruined. It just got the point that the house was not in livable condition. Everyone was advising me to just let the house go. I moved out a couple of times when it was real bad,but I don't have any family that can afford to help me. I am up in years and set in my ways and I don't want to leave my home. It is quiet there and I like it.

When the counselor from CNE came out, she told me what they would do and I said, "Whatever they do is all right with me as long as I'm out of the rain." I was using kerosene heaters to heat the house because I couldn't afford to turn the gas on. I had the kerosene heaters in the house when the CNE counselor came out and she called Human Services and talked to them. They turned on my gas and paid the first month's bill for me.

CNE had Green Construction do the work on my house and they were very nice. They put on a pitched roof and fixed all of the ceilings and rewired my house. The total amount of the loan is $9,376, and I will pay $20 a month towards the repayment of the loan.

It is so nice there now; I really enjoy my home. It is warm and comfortable. There is a lot of stuff around there for me to clean up because a lot of my furniture was damaged by the rain coming through the roof.

CNE is all right with me! If it hadn't been for this program, I would not have a place to live.

NOTE: Mrs. Kelly was placed on the emergency list by CHA and when CNE started up, they started working from this list. There were 200 names on that list when CNE began -- 200 families who, without CNE, would still be waiting for emergency repairs.

Senator SASSER. Now, Mr. Jenkins, you're down where the rubber meets the road. You're the fellow that goes out and rehabilitates these houses. Tell us what your experience has been from the standpoint of a contractor. What do you see when you get there? What do you do? How is it working with the Chattanooga Neighborhood Enterprise group, et cetera? Just give us a run-down of what your experience is.

STATEMENT OF ERIC JENKINS, JENKINS ENTERPRISES, CONTRACTOR

Mr. JENKINS. For the last 10 years or so, we have been doing this kind of rehab work. And I'm really impressed with the effort that CNE is making at trying to rehabilitate these homes like has been mentioned. I've been in some houses that are just really deplorable.

Some situations that I'd like to mention, one in particular was a house that the mother had a daughter that had a couple of children. And the only heat that they had in the house was a stove in the kitchen. And the stove in the kitchen was a coal-burning stove and it had burned out all of the metal on the back side of the stove, so it had sparks flying out of the back of the stove. And the children were running around, you know, and that was really bad. And just—you can't—I don't know whether you can picture that, but it was a very dangerous situation.

And one house that we went in, again there was some small children in there, and the kitchen floor itself had fallen in completely. The refrigerator was sitting on the ground, and they had two boards running from the living room past the kitchen into the bathroom area. And they would walk across those boards to get to the restroom. And when they got to the restroom, they didn't have any water because the water had been cut off, or they didn't have water in the house for a couple of 3 years. You can't imagine even the stench or the smell.

And just these people, and a lot of times a person might say, well, you know, these people are shiftless and lazy and they don't want to work, and that is why they are in the predicament that they are in, but that's not the case. And these people a lot of times, you know, if they could get the necessary help, you know, to make them valuable home owners or, you know, make them people that would enjoy their home, then, you know, that's all they need.

I remember a saying several years ago that was really impressive to me. If you give a man a fish, you can feed him for a day. If you teach a man how to fish, he can eat for a lifetime. So, it's the same principle when it comes to dealing with this low-income, you know, this bad housing problem here in Chattanooga.

And I am a resident of the city and I am very familiar with the bad problems that existd because I was raised myself in Poss Home Projects, the lower-income area. And I still have relatives that live there. So, I can appreciate when a person has a home and he is given some help. Well, then it gives him a sense of value, you know. He has more initiative, you know, and it's kind of contagious, because you even notice that the people next door want to do something to their houses. So, it becomes like a contagious thing and it's all for the good. The effort that CNE is making and the

staff is really impressive because it seems that they have that personal touch. They go in and talk to the home owners. They make them feel at ease, you know. I've noticed that, and I think it is a real good program and I can see good things going, developing as a result of CNE being in town.

[The complete prepared statement of Mr. Jenkins follows:]

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE HEARING

Chattanooga, Tennessee

June 18, 1988

Testimony of: Eric Jenkins, Contractor
Jenkins Enterprises
Chattanooga, Tennessee

My name is Eric Jenkins and I am a contractor who has worked with Chattanooga Neighborhood Enterprise (CNE) for almost a year. During that time, I have rehabbed about 30 houses.

I started participating in a TVA carpentry apprentice program and have worked in construction over 20 years. I have spent the last ten years as a contractor, and I have my own company, Jenkins Enterprises. When the TVA office complex was built, I was the superintendent of the carpentry shop.

The way I got involved with CNE was that I was doing a job for the Chattanooga Housing Authority when Peter Wereworth from the Enterprise Foundation came around and interviewed me on this job I was doing. He discussed the potential of work to be done with CNE, and I got interested and started bidding on jobs.

The thing I like about CNE is that it's a real personal touch toward dealing with homeowners. People aren't always just poor, but they need help. Dealing with CNE is contagious to contractors -- it makes us want to do more. It's the best thing that's ever happened to Chattanooga, in my opinion.

Some homeowners were reluctant about CNE initially because it was new, but once they got involved, they have been more than satisfied. It's made contractors aware that they work for the homeowners -- not CNE. It's not a giveaway program. CNE is the middleman; it gives people a good feeling.

You know that old saying, "If you give a man a fish, you feed him for a day; if you teach him how to fish, you feed him for a lifetime." That's CNE.

When my crew is out there rehabbing houses, we notice the people next door to the house will start sprucing up their homes, too. Like I said, it's contagious.

At first when I heard about this goal in Chattanooga to totally eliminate all substandard housing, I saw a real problem with that, but the sincerity of CNE's approach is impressive.

You know, I was raised in the projects -- the Poss Homes -- and I lived there most of my life. I still have relatives there, in fact. The trend towards projects is not good for people. They're in too close quarters. There's a need for everybody "having their own." Also, when you tear down houses instead of repair them, you displace people and force them into housing projects. It's much better to repair an old house -- it generates more self-esteem ad pride to own your own home.

There's one family CNE has helped on Crutchfield Street that had a $150 a month note on their house. Through CNE they got new siding, a heat pump, a new roof, plumbing and new wiring. All of that and the size of their monthly payment didn't change one bit, because CNE was able to help them refinance.

The program is really going to do well. Once people know about it, they will really support it. I've heard nothing but good things from people who have been involved with the program.

Senator SASSER. Well, thank you, Mr. Jenkins. And interestingly enough, you make the same point that's made here in the report of the National Housing Task Force in which they state that affordable housing in a home is a platform from which all sorts of social good can come. In other words, families can grow stronger. The people have got a decent home to come back to. It's the focal point for building a better life. I think you make that point in your testimony.

Mr. JENKINS. I'd like to mention one other thing. Going back to what Mr. Rouse said earlier about families not being able to afford, you know, housing or what have you. One family that we worked with it was a family of four. And they had moved in the house, I think their note was like $170 a month. And it was a real strain on them. And then the house needed a lot of repairs. They didn't have a lot of water pressure in the house, the pipes was bad. They needed laundry facilities, you know, needed new restrooms. The roof was leaking.

And, of course, CNE went in and put new heat and air in the house, and put a new bathroom in, completely new electrical system, new plumbing, put a new roof on the house. And the same amount of money, whatever arrangements, I don't know what the particulars as far as the financial arrangement or whatever arrangements were made, when they left the people's home or the note that they had was about the same or lower than it was before they even started. So, they felt real good about that. They even commented to me that they were real satisfied with what had happened. So, when that kind of attitude prevails in the community it's nothing but good, you know. So, whatever can be done to make that thing prosper, I would say we need to do it.

Senator SASSER. Mr. Jenkins, how many of these houses have you rehabilitated?

Mr. JENKINS. In the last year, about 30.

Senator SASSER. As you go from one house to another to do the rehab work, do you find that you are getting more skilled in the rehab work? In other words, is the cost of rehabing coming down any measured degree?

Mr. JENKINS. Yes. I would say it just depends on the condition of the house and just how extensive you have to do this or that in this particular house. Like you say, any time, the more you do a thing, the less it will cost and the more proficient you become at it.

Another thing, too, that I like about the approach CNE has about repairing the houses is that in times gone by, we would go in and it was like a band-aid approach, just do a minimum amount. And then when you leave, the home owners a lot of times would not be satisfied. They would even have animosity toward the contractor and everybody involved because they felt like they didn't get what they really deserved.

Now, the staff goes in and really puts a concentrated effort in trying to eliminate all these substandard conditions and these code violations, so I think that's really good.

Senator SASSER. Well, listen, I want to thank all of you for coming here today and giving us the benefit of your experiences. It has been very helpful and it will be very meaningful to those who read this record later after it's transcribed. Thank you very much.

Senator SASSER. Now, we have got one final panel here. Ms. Ruth Holmberg, the President of the Chattanooga Area Chamber of Commerce and the newspaper that wrote that grand story that Mr. Rouse referred to two or three times in his testimony. Mr. Rayburn Traughber, Commissioner for the Tennessee Department of Employment Security, and Mr. Deaderick Montague, the President of the Lyndhurst Foundation and Vice-Chairman of Chattanooga Neighborhood Enterprise. I want to welcome all three of you here today. We look forward to your views and observations. We'll turn first to my good friend Ruth Holmberg.

STATEMENT OF RUTH HOLMBERG, PRESIDENT, CHATTANOOGA AREA CHAMBER OF COMMERCE

Ms. HOLMBERG. Thank you, Senator. I'm going to make a few comments today as the CNE actions pertain to the business community, about the business community as it's reflected by the chamber of commerce board, about why the business community is interested in this program and how it might support it.

The business community is committed to preserve and strengthen the inner city, to making Chattanooga an attractive environment for all of its citizens, to improving public education and creating jobs. We see the Chattanooga Neighborhood Enterprise as contributing significantly to all of these objectives.

Downtown housing is an essential ingredient of a viable city, and the inner city must be preserved to help the business climate. The downtown area will be more attractive to prospective residents as substandard housing is eliminated and gives way to standard and affordable housing. It is in CNE's plan that many who are now renters of substandard housing will become home owners. And this is an immensely attractive prospect for, as home owners, they have a true stake in the community and become participating citizens in the city and the area. Pride can help to build good citizenship.

The business community has focused heavily on improving public education. It has turned its attention, as well as some resources, to improving the city and county public schools. The objective, of course, is to provide quality education for each of its young persons, but the home environment is as important as the school environment. A child is unlikely to prosper intellectually if he comes from a slum each morning and returns to one each night. An improvement in housing conditions directly addresses the question of how to improve education.

CNE's rehabilitation programs will create jobs throughout the city. Many business opportunities will come out of this for small contractors, painters, plumbers, and whatnot. It is also our hope that a lot of these opportunities will be available to minorities. The chamber of commerce can assist these new entrepreneurs as the program grows.

As to the level of private business support that will be available, of course, it's unrealistic to expect a large outflowing of cash from the business community that would be the dedicated stream that's necessary for this project. However, the community has expressed through the chamber board that it has great interest and can be counted on to help seek both financial and volunteer support.

The chamber of commerce board took a lead in supporting the mayor's proposed sales tax increase that would help finance CNE. Should that increase be on the ballot, as we invaribly hope it will be, the chamber board has expressed that it will work for passage. If the tax proposal is not on the ballot, the chamber board will work with CNE and the city in finding other financial initiatives. As CNE develops some low-income management techniques that could enable landlords to have confidence about making repairs, the business community will surely be encouraged to make its own financial investments in the program.

Meanwhile, the CNE initiative is a point of pride for the Chattanooga community, and the business in the city can only prosper as the program succeeds. We're very glad that you're here and thank you for coming and helping address this very important program.

Senator SASSER. Thank you very much. Commissioner Traughber, pleased to have you here, and not just yourself, but also Ms. Holmberg and Mr. Montague. We're delighted that you've taken the time and interest to come here.

STATEMENT OF RAYBURN TRAUGHBER, COMMISSIONER OF THE TENNESSEE DEPARTMENT OF EMPLOYMENT SECURITY

Mr. TRAUGHBER. Thank you, Senator. Let me say I appreciate the opportunity to be here, appreciate the opportunity for the forum to discuss this in the point of a crisis in the area of housing and the relationship of housing to other social issues. I have a prepared statement that's available for the record, but I simply will make notes from that.

Senator SASSER. Your report will be in the record as Ok.

Mr. TRAUGHBER. I would like to share with you comments and thoughts regarding housing in the Chattanooga program from four prospectives. First, as a member of the planning process that led to the development of CNE.

Second, as a former staff person in city government that had the responsibility of moving a position paper to reality that addressed housing as a catalyst for redevelopment of a downtown neighborhood that led to development of another corporation primarily the geographical area of the inner city development.

Third, also as a staff member in Chattanooga at that time addressed the whole area of minority economic development.

Fourth, more recently as a State commissioner with the responsibility of the employment service division, sometimes known as job service, the unemployment insurance program and the labor market information.

Let me say that one of the mistakes that is sometimes made over the years in terms of housing and construction and the employment that may develop from such activities is basically characterizing those benefits in short-term. I think that the long-term benefits is what we look at it from the tremendous investments that can be made in human resources.

Housing as economic activity has several areas we need to consider. One, is the fact of utilizing existing resources for more productive and permanent use. In this decade we're talking about the

home recycling rehab as a philosophy and more as a foundation for future growth and development of our society.

I think Chattanooga like other communities have existing housing stock that is unutilized or not being utilized at all. Unutilized is defined as substandard structure not providing the minimum standard of decent housing, not being utilized is defined as vacant structures.

It's interesting to note that in the Inner City Development Corp., which is a much smaller initiative, that the first 13 units, 9 units were vacant, the other were substandard. This year with the completion of 19 units, we noticed that 4 units were vacant, 4 had been condemned and the occupants scheduled to be removed and the remaining were substandard.

What we're talking about looking at housing stock that's existing, and I think Mr. Rouse made a very good point. We have substandard housing stock vacant or not being utilized. The other area in terms of looking at existing resources that we have and recycling has to do with the issue of conversion of existing buildings originally designed for a particular use and that now are standing vacant.

One interesting situation I've noticed statewide, the number of vacant school buildings that are not only in the urban areas, but also in your rural areas. The potential there, and I'd like to add that those structures are sound structures and can be converted for housing. We looked at a project in Fayetteville, TN with the cooperation of the Tennessee Housing Authority where a school building was converted into a housing complex for low-income residents. It was a very unique structure. Several innovative techniques were used by the contractors and became a showplace for others in the State. The same contractor designed an approach here in Chattanooga for a particular school building that's being used in terms of renovation.

The other area in terms of housing is economics, simply that Chattanooga like any other urban area has experienced downtown decay over a period of time. Recently seeing the revitalization of the downtown community, and although the potential of downtown upscale housing offers economic activity, what is more important and what is needed is downtown housing for low-income residents, because, indeed, you have a transportation system, you just have a center of activity that I think is needed. We need to not exclude the downtown area specifically in terms of upscale housing.

The other has to do with the whole area of leveraging capital. Capital formation is important for any economic area, but extremely important for low-income housing. Banks are in the business to make money and that's understandable. To create a climate for financial institutions to consider housing investments for the low to moderate-income housing programs whether tax credits public guarantees, should be a policy of the private/public involvement. Such a policy would provide for leveraging, bring private capital into a mechanism for human resource development, which is good business and stabilize the social environment.

I think that the Community Reinvestment Act prescribed for the banking industry is a good policy, a policy that will not tie bankers'

hands to economic suicide, but one that can blend all these factors for positive economic planning and growth.

We in Chattanooga are grateful for the support of the bank community, Inner City Development Corp., especially grateful for American National Bank President Bo Sudderth, and board members of CNE and also for First Federal Savings and Loan for their support. We have tried to recognize this support by doing the best thing that we could, pay our mortgage on time when the mortgage is due.

I'd like to turn your attention to the relationship of this activity, the whole area of employment and training, and basically outline some of the characteristics that we have identified in the Tennessee workforce and also the national workforce.

As you know, the U.S. Labor Department issued a study outlining the characteristics of the workforce in the year 2000. A number of interesting facts viewed in terms of what we're seeing today as probably changing and what the future will look like.

A couple of point areas that we should note in relationship to the workforce and potential employment is one, that the age of the workforce will continue to decline. Two, the number of youth workers ages between 16 and 24 will drop by 2 million or 8 percent. That's significant. What we're looking at in that group today, we have the highest unemployment rate in the country among young workers. At the same time, that youth worker is shrinking, and you have a group in terms of the true numbers you have a double effect of true numbers of the size of the population and second of the fact of talking about the group in terms of the underskilled and lack of basic education training.

More women will enter the workforce, 61 percent, and minorities will constitute the higher percent of new entries. Nonwhites will be 29 percent.

What we're going to look at is the whole situation. The need to continue to address training, and the catch words are cross-training and retraining. Even if one analyzes the dislocated worker in which Tennessee is saying in 1987 the State of Tennessee spent $167 million in unemployment insurance with an unemployment rate of 6.6 percent.

Let me say that if unemployment is designed for the worker that's permanently attached to the workforce. It's an insurance benefit program. Even with an unemployment rate of 6.6 percent, we're spending $167 million on unemployment insurance benefits. Basically, we're seeing the dislocated worker in terms of changing of the economic effect. What we have that's upcoming is a workforce shortage. Workforce shortage is defined as people without necessarily the skills for the jobs that are coming into being in the future.

The housing industry has been called the industry that capitalism forgot. One can make the case that the housing is really a form of manufacturing. Housing construction is extremely sensitive to wide swings and demands. The industry has responded by utilizing a high degree of flexibility and temporary workforce.

One can also make the case that there has been very little research on improvement in production or assembly techniques and new equipment or permanent staffing. The employment picture re-

flects this lack of commitment. It's interesting to know, however, some larger foreign entities, note Japan and Sweden, are looking at a whole range of construction techniques to address housing.

What we have here basically is an equation out of balance in many respects. One is the workforce shortage, defined as skill level versus people without the skills, to dislocated workers moving from one set of tasks now are available for possible training. Construction may not have the full benefits of the process to determine new techniques and management approaches for housing rehab and conversion for housing needs, and a potential demand level in Chattanooga with the CNE effort without necessarily having enough contractors to absorb it.

I will give you one illustration on this. The Inner City Development Corp. about a year ago went out in the market, what we call a large project, some contractors too large, some contractors too small, roughly a $600,000 construction project. We went out to the market twice, we only got one bid. This illustration is some of the problems that we could have if you look at the potential of CNE effort CNE has done ten times that amount in 1 year, and that's the whole issue of developers, of construction workers, and contractors raises a very interesting situation.

Housing rehab lends itself to potential training. There are semi-skilled tasks in the field that can be learned with greater emphasis on potential broader-based skills. Thus, when we speak of housing as an economic activity short-term employment, I think we're missing one point. Housing is an economic activity that provides long-term growth and development leading to long-term skills.

Housing rehab will have to be subjected to new techniques for cost savings. For example, in the whole area of conversion, recently through some research, we simply looked at one industry in terms of the growth, performance, and entrepreneurship. We looked at conversion needs in the Nashville, Davidson County area that had to do with removing asbestos from buildings as a whole new industry, whole new entrepreneurship, whole new area of expansion in terms of opportunity.

CNE, in recognizing these factors, is planning to develop a job training program in a pioneer effort to train disadvantaged individuals as potential skilled laborers.

The Department of Employment Security with the Department of Economic and Community Development, in recognizing the potential for dislocated workers, entrepreneurship growth will take this initiative further with a program we will announce in the coming weeks here in Chattanooga.

Linkage is the key word here. Combined resources in a concentrated effort to address a crisis, JTPA, Wagner-Peyser, Community Development Block Grant, Community Reinvestment Act, and private commitments and entrepreneurship growth around a need—housing. What we're talking about basically, Senator, is to train Americans to address American problems, put Americans to work to help other Americans and invest in Americans to help Americans own and/or rent decent housing. Thank you.

[The complete prepared statement of Mr. Traughber follows:]

TESTIMONY TO THE U.S. SENATE SUB-COMMITTEE ON HOUSING

COMMISSIONER RAYBURN A. TRAUGHBER

CHATTANOOGA, TENNESSEE

JUNE 18, 1988

Thank you for the opportunity of allowing me to appear here today. Owning a home is still very much a part of the American Dream. The reasons became clear looking at the economic results of homeownership. The net worth of homeowners is nine times the net worth of renters. Two-thirds of the net worth of homeowners is in their home. Homeownership means physical safety and security as well. However, this dream of ownership has moved behond the means of many families today. The fraction of median income required to buy a home is 50% greater thday than it was in 1968. The cost of buying a home would require 75% of the income of the average single woman.

The reasons for the increased costs of homeownership are many and varied. Land costs for improved lots has increased 66% between 1975 and 1985. Between 1970 and 1980, the cost of financing a home increased 80%. Rising energy prices have driven up the price of housing. Falling productivity in the housing construction industry has also had an effect although not as large as the other factors - these factors I will address later.

I would like to share with you comments and thoughts regarding housing initiatives from four perspectives:

1. As a member of the planning process that led to the development of Chattanooga Neighborhood Enterprise (CNE).
2. As a staff person in City Government that had the responsibility of moving a position paper to reality that addressed housing development for a low to moderate-income area - particularly the development of the Inner-City Development Corporation which has the responsibility of using housing as a catalyst for the economic redevelopment of a downtown neighborhood and the linkage that is developing with the broader response from CNE.
3. Here again as a staff member in City Government in Chattanooga with the responsibility of outlining and recommending to the Vice Mayor of the City broad strategies resulting in economic development activities for the minority community, with particular emphasis being on the M. L. King development community which constitutes a downtown commercial and residential area.
4. More recently as a 15 month old State Commissioner with the responsibility of operating the public employment service division sometimes known as Job Service, as outlined by the Wagner-Peyser Act; as a person with the responsibility as a State Administrator for the Unemployment Insurance program; and, responsibility for labor market information.

Housing as a economic activity level does have, in my opinion and in others opinion, a tremendous effect in generating economic benefits. We may have made mistakes in characterizing housing or construction and the employment that may develop as short-term benefits. But in reality, if one carefully views the historical significance of housing and more importantly looks closely at the design efforts that we are seeing more recently, particularly here in Chattanooga with the initiatives of CNE, we can begin to make a case of the long-term economic effects. Economic effects that in my judgement can be characterized as tremendous investments in human resources.

The first effect has to do with the utilization of existing resources for more productive and permanent use. We have realized in more recent decades that the whole issue of recycling, whether it is defined in a manufacturing sense or in a much broader frame of reference as a philosophy, will be the foundation for future growth and development of our society. Thus even physical recycling or rehabing has, in my judgement, social and long-term values. If we look at the area of housing particularly here in Chattanooga - Chattanooga representing other communities - then we simply see that we have existing housing stock that is underutilized or not being utilized at all. Underutilization is defined here as substandard structures not providing the minimum standards of decent housing; not being utilized is defined as vacant structures. In addition to that, we are finding other structures that can be converted into housing stock. It is interesting to note that the

Inner-City Development Corporation, which is a much smaller picture, found that of the first 13 units that we renovated, nine units were vacant and the others were "substandard." This year with the completion of 19 units, we noticed that three were vacant; four had been condemned and the occupants scheduled to be removed; and the remainder were substandard.

What we have identified in a smaller neighborhood is simply a philosophy of recycling/rehabing for future needs. If in a short period of time we have achieved this, then the potential of CNE with much broader resources is indeed one that can address the issue of sub-standard housing in a 10 year period in Chattanooga.

The other area has to do with conversion - conversion of buildings from originally designed use. It is interesting to note throughout the State, particularly here in Chattanooga and in other areas of the country, one structure that comes to mind are the number of vacant school buildings - structures designed for a noble purpose of public education but through population changes, movements, we find ourselves in a situation with a number of such vacant structures throughout the State in rural and urban areas. There have been a number of projects in other areas of the country that have reconverted these structures, and I would like to add in many cases sound engineered structures, for housing use. In Fayetteville, Tennessee, with the cooperation of the Tennessee Housing Authority a school building was converted to provide low to moderate-income housing for the residents of Fayette County. It was a unique structure, several innovative techniques were used by the

contractor, and it has been a show place for others in the State. The same contractor has designed an approach here in Chattanooga for the Inner-City Development Corporation to look at another vacant school building that can lend itself to renovation.

The other area has to do with the development of inner-city neighborhoods. Chattanooga, like other urban areas, has experienced downtown decay. However beginning in the 1960's, more focus began to be directed on urban areas with the realization that urban centers could constitute the life blood for this country. Although potential development of upscale downtown housing offers economic activity, more importantly what is needed is downtown housing for low to moderate-income residents that depend on public transportation and depend on being close to major areas of activity.

The other activity level is the whole issue of leveraging capital, particularly from the private market. Capital formation is important in any economic activity, but I think it is extremely important in housing - especially low-income housing. Investment policies that create and foster positive economic growth will eventually lead to job creation and entrepreneurialship development -- investment policies that consist of buying real estate [and here there is a difference between "buying" and developing real estate for low to moderate persons]. Gold, commercial paper, acquiring other corporations, can be basically characterized as nonproductive investments in terms of expansion, job growth, or job creation. This is not to say that the government should not attempt to

discourage those that have a desire to pursue this as an economic goal, but the government should have a policy and that policy should transfer into some type of incentives through the private sector. Banks are in business to make money - that is understandable. To create a climate for financial institutions to consider housing investments for low to moderate-income housing programs, whether through tax credits, public guarantees, etc., should be a policy goal of public-private involvement.

Such a policy would:

1. Provide for leveraging.
2. Bring private capital into a mechanism for human resource development - which is good business.
3. Stabilize the social environment.

Thus the Community Reinvestment Act, prescribed for the banking industry, I feel was a good policy - a policy that will not tie bankers hands to economic suicide, but one that can blend all these factors for positive economic development planning.

We in Chattanooga are greatful, particularly Inner-City at this point, to the financial institutions that have supported our project - primarily American National Bank and its President Bo Suddreth, who is also a board member of Chattanooga Neighborhood Enterprise, and First Federal Savings and Loan Association for their support. We have tried to recognize this support by doing the best thing that we could - pay our mortgage on time.

One side note to this activity in housing is basically that we have also had another effect in the City of Chattanooga by simply taking property that was off the tax rolls and placing those pieces back on the tax roles for Chattanooga and Hamilton County - even as a not-for-profit corporation, we have agreed to pay taxes. The potential of these areas represents just a smaller picture. CNE is moving towards a much broader level of activity.

I would like to turn your attention to the relationship of this activity level to the whole area of employment and training. I would briefly like to outline the characteristic of the coming workforce as outlined in the U.S. Department of Labor's study, "Workforce 2000." A number of factors have changed and will continue to change the composition of the workforce.

What we project is as follows:

(1) The average age of the workforce population will rise. The average age of the workforce today will climb from 36 to 39. The number of younger workers, ages 16 to 24, will drop by 2 million or 8%.

(2) More women will enter the workforce. Sixty one percent (61%) of all women that are working age expect to have jobs by the year 2000.

(3) Minorities will compose a larger share of new entries into the workforce. Non-white will make up 29%.

(4) It will be necessary for the existing workforce to continue to upgrade its skills and be more adaptable in terms of re-training and/or cross-training. Many entities of dedicated job descriptions will be integrated in such a way that a person will need to do a host of technical and skill level tasks.

(5) Even if one analyzes the "dislocated worker" in Tennessee - the uninsured unemployed - the continuation of the economic development movement from a manufacturing to a service-based industry is quite evident.

In looking further at the picture, we can also look at unemployment and those individuals that are unemployed and underemployed. In 1987, the State of Tennessee spent $187 million in unemployment insurance benefits with an unemployment rate of 6.6%. I do not believe that benefits are too liberal - the system is designed in such a way as to address those that are permanently attached to the workforce. And in 1983, through legislation of the Tennessee General Assembly, benefits were in many cases reduced and some individuals eliminated from the program. Only 25% of those that are unemployed are served by the Unemployment Insurance program. So we have a potential pool of Americans that are underemployed and unemployed, and a larger pool that is shrinking in numbers that are without basic job training skills. The upcoming workforce shortage is imminent. Worforce shortage in this case is defined as available jobs and not enough skills.

The housing industry has been called the industry capitalism forgot. Housing construction is extremely sensitive to wide swings in demand. The industry has responded by utilizing a high degree of flexibility and temporary work teams. The industry is fragmented and decentralized. Of the 558,000 U.S. construction firms in 1982, only 10% had more than 19 employees. Less than 8% of the homebuilders have annual sales of more than $1 million. This situation has resulted in virtually no investment in research on improvement in product or assembly techniques and new equipment or permanent staffing. The employment picture reflects this lack of commitment. Productivity has fallen mainly due to inefficient management techniques. One recent review of major construction practices (both residential an non-residential) estimated that only about 40% of a worker's time is spent in productive activity; of the rest, more than half is lost because of administrative delays, poor selection of methods, or judicial delays.[1] Real wages in the industry have fallen. While jobs in construction still pay more than the average U.S. wage, construction wages fell from 28% above the median annual U.S. private sector wage in 1971 to less than 9% above the median in 1986 -- when the ratio of median to annual construction wages to the national average median wage reached a post-war low.[2] Construction varies with

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[1] Richard L. Tucker, "Construction Technologies," in Technology and the Future of the U.S. Construction Industry (Washington, DC: The AIA Press, 1986).

[2] U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts," historical diskettes, Table 6.8b.

the weather, the seasons, and the business cycle making the average construction job vulnerable to predictable periods of unemployment. Approximately 40% of U.S. construction workers found themselves without employment at least once during 1981, as opposed to 18% of all U.S. non-agricultural workers.[3]

What we have is an equation that is out of balance in many respects. Workforce shortages as defined by skill level versus people with such skills. Construction as an industry that may not have had the full benefit of process review to determine new techniques and management approaches for housing rehab and conversion for housing needs, and a potential demand level in Chattanooga that may not be met. CNE recognizes this equation, but also recognizes the problem of the approach of housing as the factor that can help in balancing this equation.

Entry into the industry is characterized by formal apprenticeship programs which traditionally offer on-the-job training plus some sort of classroom instruction. Several occupations also require licensing. This means the industry is a prime candidate for formal training programs that could be targeted at disadvantaged and unemployed/under-employed individuals. While entry into the industry is relatively easy it is also indiscriminate. Formalized occupational recruitment would

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3 Alton S. Bradford, Technology and the Future of the U.S. Construction Industry op. cit., p.7.

result in a superior matching of inherent abilities to jobs which would result in more job satisfaction and improved productivity. Programs to recruit and train individuals for the construction industry would be of benefit to both individuals and industry.

Housing rehab construction lends itself to potential training. There are semi-skilled tasks in the field that can be learned with greater emphasis on potential broader-based skills. Thus when we speak of housing as an economic activity that provides short-term employment, I think we are missing the point. Housing is an economic activity that can provide long-term growth and development training opportunities leading to long-term skills.

Housing rehab will have to be subjected to new techniques for cost savings. For example, conversion of building and the need, in many cases, to remove asbestos. This is a growing industry with great entreprensurship potential. Realizing that in some cases new construction for low to moderate-income is warranted, then the issue of new approaches and techniques can lead to a new horizon of entrepreneurship.

CNE in recognizing these factors, is planning to develop a job training program in a pioneer effort to train disadvantaged individuals as potential skilled laborers.

The Department of Employment Security with the Department of Economic and Community Development, in recognizing the potential for dislocated workers and entrepreneurship growth, will take this initiative further with a program that will be announced soon.

Linkage is the key word here. Combined resources in a concentrated effort to address a crisis - JTPA, Wagner-Peyser, Community Development Block Grant, Community Reinvestment Act, and private commitments in developing an effective job creation, job training and entrepreneurship growth around a need - housing.

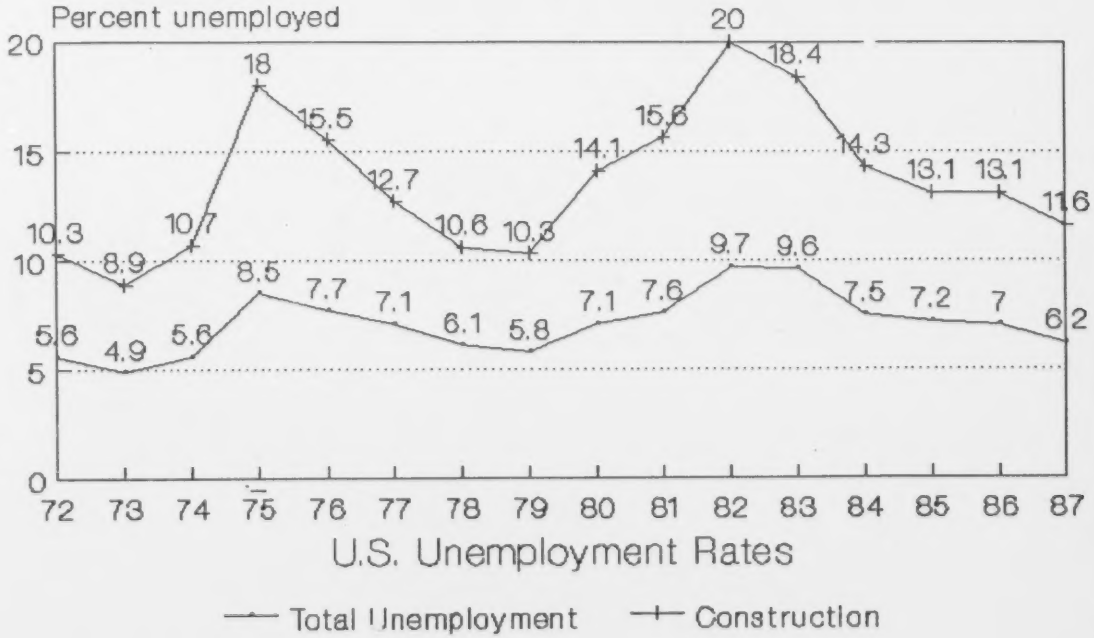
The challenge of providing housing for low and very low-income families will also prove formidable, innovative methods, inventive financial arrangements and unprecedented public and private cooperation, like Chattanooga's low-income housing programs. These programs will also have a beneficial effect in the area of employment and job security. As the price of a new home continues to increase, housing rehab will be much more important not only for first time homebuyers, but for low-income owners without the means to upgrade their home. Job training in these areas will result in decent, well paying jobs for many individuals who would otherwise be denied good employment opportunities.

Investing in housing ownership for all Americans is in the best interest of the Federal as well as State Government. It will help to provide decent, safe and affordable housing for all Tennesseans. It is also important from an employment perspective. Investing in innovative

housing initiatives will increase productivity in the construction trades and reduce job uncertainty. It has the potential to provide meaningful employment opportunities at the same time as it allows a greater number of families to achieve the dream of homeownership.

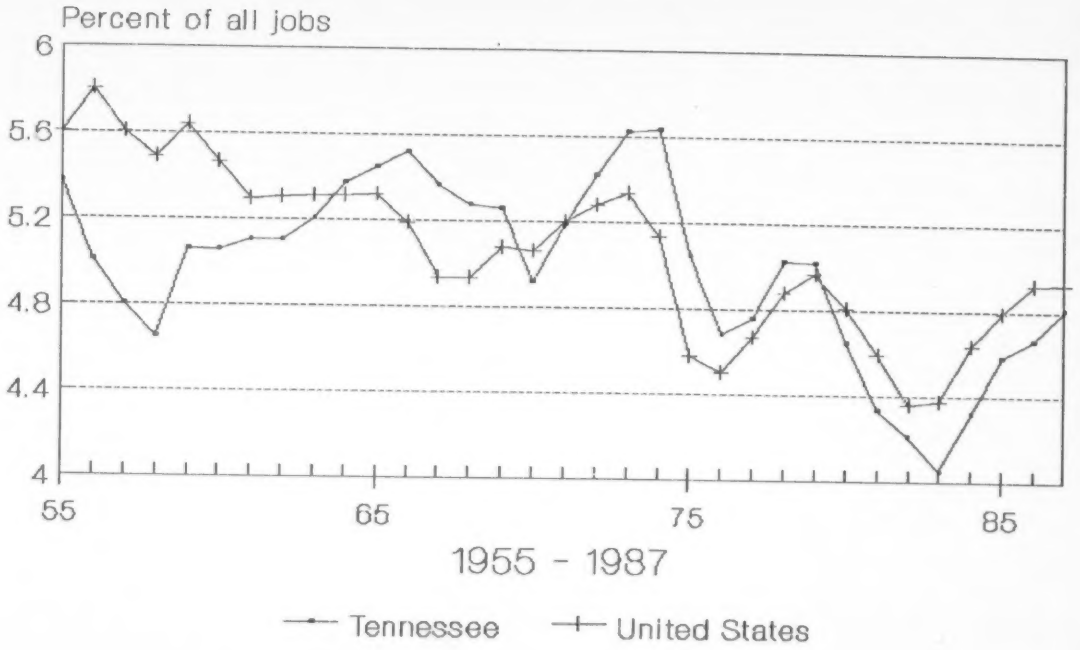
What we will basically do is train Americans to address American problems. Put Americans to work to help other Americans. Invest in Americans to help Americans own and/or rent decent housing.

Construction Unemployment is about twice that in all other industries



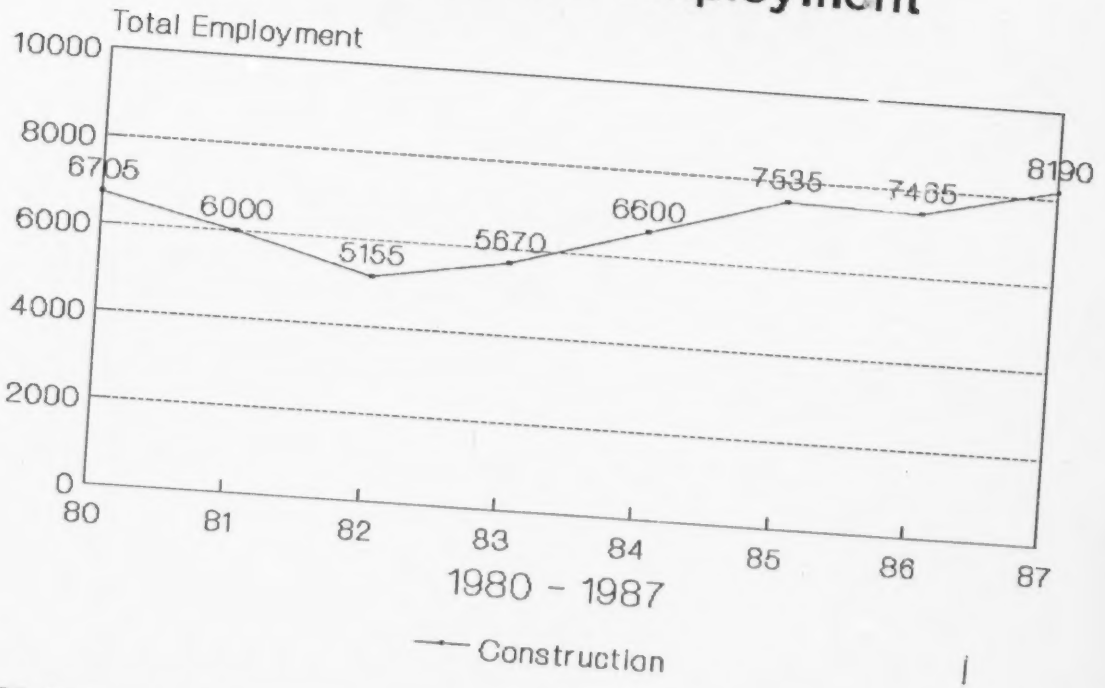
SOURCE: Bureau of Labor Statistics

Construction Jobs as
a percent of all jobs



SOURCE: Bureau of Labor Statistics

Chattanooga MSA
Construction Employment



SOURCE: TN Dept of Employment Security

Senator SASSER. Thank you for your very excellent statement, commissioner, and frankly, you answered all the questions I was prepared to ask you with that statement. Rick Montague, we welcome you here today and we are grateful for the work you and the Lyndhurst Foundation have done for the CNE program here. We'd like to hear your views and observations.

STATEMENT OF DEADERICK C. MONTAGUE, PRESIDENT OF THE LYNDHURST FOUNDATION, VICE CHAIRMAN OF CHATTANOOGA NEIGHBORHOOD ENTERPRISE

Mr. MONTAGUE. Thank you, Senator. We appreciate very much the interest you've shown in this program and your presence here today. It means an awful lot to me that you and Mr. Rouse are both here today because this program is, I think, the most important program in the history of Chattanooga. My fellow Chattanoogans can probably remember that 12 or 15 years ago this was a city that was afraid to risk. This program is a huge risk. It's a national risk. We've been referred to as a national beacon. It's a program that after 1 year has convinced its board members that this is a city that can risk together, that can trust together, that can grow together and is going to succeed. The longer we work with it the more we believe it can succeed.

We are seeing all kinds of innovations beginning to come to us, ideas that are seen at the State level, ideas that are seen at the national level, ideas that are coming from individuals in their homes and from the neighborhoods. Lyndhurst is involved because this is a tremendous opportunity for us to pay a relatively small amount of money and get a huge return, not only in terms of an economic development for a project that's very large, but for the opportunity to begin to break down barriers in this community, and to serve as an example of the way that foundations can work together throughout this country to bring black and white people together, neighborhood and corporate executives together, rich and poor people together, so that we can begin to understand, so we can begin to communicate, so that we can begin to build our community from the ground up.

We're getting incredible support from the chamber of commerce. We're getting incredible support from labor unions and from churches. Additionally, I'm committed to this program because CNE is not a bureaucracy. We saw today as we visited in those homes and when we could see the eyes meet between our staff members and the people who lived in those homes, we could see that CNE is a presence in their lives, they're not a hassle in their homes.

This program is not a bureaucratic program. It's a program that from its inception has insisted that everyone that works for CNE have patience, have dignity, have the opportunity to create a friendship every time we go into a home. And polls are showing that we are succeeding in that regard. That is a challenge that no matter how strongly it's felt to increase our production we promise to those of you who live in the neighborhoods of Chattanooga that we will continue to be a compassionate program and one that is pa-

tient, and one that is there to work with you, not to do something to you.

The training opportunities in this program are enormous. Chattanooga, as you know, is a city that has a large number of people who have not completed high school. This provides us with an opportunity to take people, to create pickup truck entrepreneurs, to have new training programs, to create jobs and investment opportunities for people who are currently out of work or don't know what their future is.

Most importantly, I think we're bringing the opportunity for hope, for dignity, for opportunity, for freedom, and ultimately empowerment into the homes of the people. Not vesting it in CNE, not vesting it in an intermediary operation, but trying to vest it in the homes and in the people who live in those homes.

We believe that this is an exemplary program for this country. We do believe that what happens in Chattanooga can be replicated. It is our purpose at CNE to take investment dollars and put them to work in behalf of the poor. And we believe that this country is ready for the opportunity to invest in the poor, to work with the poor.

Finally, I'd like to say that this program more than any other is one that cannot be allowed to fail. We do believe that there are people all over this country who are looking for the innovations that we can come up with in Chattanooga from our business community, from our bank community, from the CNE board, from the incredible support that we are getting from government officials. It's highly unlikely that these ingredients could be recreated as quickly or as effectively in any other community. We feel that we're years ahead. And as a Chattanoogan, it's nice to be years ahead, not years behind. And we think if the Federal Government could give us a leg up 15 to 18 percent of our total program, we believe that we can give you a return that will make this country proud, and that will make the next generation of Americans proud of what this country has done to completely revitalize the way that we look at our cities. Thank you.

Senator SASSER. Thank you very much for a very inspiring report on the progress here, Rick. That's a marvelous, marvelous statement. I've got one question, that I'm going to ask of the representative of the chamber of commerce, Ruth Holmberg.

Ms. Holmberg, you have set about the task of rehabilitating housing here in Chattanooga and make quality affordable housing available to everybody in the city over the space of 10 years. Has the chamber of commerce calculated what the spinoff effect of that might be in making the city more attractive to industry and business that might wish to come in here, to improve the image of the city, generally?

Ms. HOLMBERG. Oh, yes, I think that's a very basic interest. The chamber is very committed to the livable downtown which, of course, has to include housing. We can't just have it tailing along and lock it up at night. People have got to live downtown and to bring new people to live downtown. We must necessarily make it a better environment for those who already do. One—that's one aspect of it, but I think it's any time you can make a national spot-

light shine on you, it's bound to help business and investment for the area.

Senator SASSER. One question for you, Rick Montague. Chattanooga is fortunate in being the headquarters for a number of charitable foundations, for one the Lyndhurst Foundation. They have participated in the CNE program. Is that going to be a critical ingredient from your vantage point in transferring this program to other cities? What I'm thinking about are cities which may not enjoy the advantage of being the headquarters for charitable foundations who would take an interest in housing. Will this program work in those other cities?

Mr. MONTAGUE. Chattanooga does have an advantage because it has got a large percentage of the State's foundation resources located right here. We're trying to build a program that's replicable. We're not interested nor can even a large foundation community in Chattanooga do this through charitable dollars. It has got to be a matrix that is built up of Federal support, State support, city support and some charitable money. I think the biggest advantage that we'll have is that I think the charitable sector in Chattanooga can afford to pay the staff overhead for CNE, so that the money that flows into CNE for housing will go for housing not for our staff.

That's one of my goals. And I think that's an achievable goal. It will be and we're looking at for our total program about $2.6 million per year being all that's required from charity. The big part of this picture that remains to form is what we can get through the community bank and through our efforts to get low-interest loans, tax credits, social investments, and nongrants from national foundations, corporations, credit unions, and wealthy individuals. We do believe that the strength of this program, the nature of the challenge should enable us to go to any corporation in the country, any foundation in the country and try to attract investment money to Chattanooga.

We would not want to do that for charitable contributions, that defeats the purpose. The pyramid would begin to run out very, very quickly. So, we think Chattanooga has got an advantage because of the strong foundation support here, but we're not looking to build the program on the backs of the foundations. We're looking for an ownership that is shared and no individual piece is too large.

Senator SASSER. Thank you very much. I want to thank all of those who participated today on our panels. My profound expressions of appreciation to them, particularly to Mr. Rouse and Mrs. Rouse who traveled so far to be here with us today. I also want to express my appreciation to those in the audience who came today to lend their support, their curiosity and hopefully their subsequent support to what I perceive to be a very, very important innovative and pioneering program.

Mr. Rouse made the point that the homelessness that we see in the streets or on television is pricking the national conscience, and also, I think the national shame. I agree. It's becoming an international embarrassment. I believe this country now is ready to address the problem of housing its people in an adequate manner.

The point has been made that no other modern industrial nation allows such a substantial segment of its citizenry to exist in sub-

standard housing as we do here in the United States. And its gotten worse over the past years. This is a situation that shall and must be reversed.

I personally am committed to doing everything I can to make this program here in Chattanooga a success. The point was made that $4 million in Federal money will be needed on a yearly basis. I guarantee that I will do everything in my power to see that is a reality every year. That's one of the advantages of serving on the Senate Appropriations Committee, sometimes you can help deliver those funds that are needed. That's one of the advantages of serving on the Banking, Housing, and Urban Affairs Committee because I help decide what housing programs are authorized.

I might say that I also serve on the Defense Appropriations Subcommittee and as such participate in appropriating $300 billion a year for the defense of the United States and the Free World. $4 million a year sounds like a lot of money. Looking at it from the Federal level, however, we appropriate $25 million to buy one jet airplane, a jet fighter aircraft. And we buy literally, I won't say hundreds of those every year, but in some years we do buy hundreds of them. So, perhaps there is a way that we can find the money to get this done and still operate within the fiscal constraints we now have at the Federal level.

Thank all of you for coming. We appreciate it and these proceedings are hereby closed.

[Whereupon, the hearing was adjourned.]

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE HEARING

Chattanooga, Tennessee

June 18, 1983

Testimony of: Velma Church
2103 Fifth Street
Chattanooga, Tennessee

I was just proud that this came up to help me with my home. I am very happy to know that my house will not fall down on me. It will be here for my children and my grandchildren. You work so hard for what you've got and you hate to see it lost. I can live the rest of my life in peace.

There was no way I could have done it except mortgage it through the bank and I'm on a fixed income, so I'm just happy as I can be.

I am very happy with the work. I'm glad the program came in because I don't know that I would have done. My house looks so pretty. I painted the inside and it looks so pretty. I'm just happy. Very satisfied.

People don't much care about you when you get old. I'll be 81 years old June 22 and I can't work anymore, so I appreciate CNE keeping our houses from falling down.

That's all I can say. I'm happy.

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE HEARING

Chattanooga, Tennessee

June 18, 1988

Testimony of: Richard McKinley and Lee Granville
810 Sylvia Street
Chattanooga, Tennessee

My name is Richard McKinley. I am currently renting an apartment at 810 Sylvia Street. My rent is $350 per month. I work for the Brass Register and Lee works for Bojangles. Our combined income is roughly $13,000 per year.

We feel that we are paying a lot of money to rent a house and would like to buy our own home instead. With a family of four, however, our expenses absorb all of our take-home pay. Our combined savings accounts total only $250 and we cannot accumulate enough money to pay for the costs and down payment necessary to close on a house.

We contacted Chattanooga Neighborhood Enterprise to inquire about the mortgage bond funds which they reserved through THDA. They reviewed our situation and discussed it with the mortgage company responsible for processing these mortgages. Our income and credit history qualifies us for a mortgage, but, again, our lack of savings prevents us from the actual purchase.

CNE then offered to sell a house which it purchased and rehabilitated in the Lincoln Park neighborhood. We looked at the house, liked it and decided we would like to buy it. They offered to set up a savings program by having us prequalify for a mortgage, submit a non-refundable deposit on the house and then move into the house, paying the same payment ($350 per month) as we currently pay in rent.

Out of the $350 per month, CNE will pay the taxes and insurance on the property, totalling roughly $50 per month, allowing us to save $300 per month. This, added to our present savings, will allow us to save enough money to close on the house in four (4) months. We have already been approved by American Home Mortgage for a THDA nine percent, 30-year mortgage and they will reserve that commitment until we close.

Working class people such as ourselves have a very difficult time saving any money and this prevents us from owning our own homes, even though we are able to pay. In fact, after we close on this house, we will be paying less than we currently pay for rent.

Without CNE's ability to rent to us at its cost and allow us to save the difference, we would not be able to buy a house.

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